

VIRGINIA:

IN THE COUNTY OF WASHINGTON

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

VIRGINIA GAS AND OIL BOARD

DECEMBER 19, 2006

APPEARANCES:

**BOARD MEMBERS:**

MARY QUILLEN - PUBLIC MEMBER

PEGGY BARBAR - PUBLIC MEMBER

BILL HARRIS - CITIZEN REPRESENTATIVE

DONNIE RATLIFF - COAL REPRESENTATIVE

BRUCE PRATHER - GAS & OIL INDUSTRY REPRESENTATIVE

**CHAIRMAN:**

BENNY WAMPLER - DEPUTY DIRECTOR OF THE DMME AND CHAIRMAN

BOB WILSON - DIRECTOR OF THE DIVISION OF GAS & OIL AND  
PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

**COUNSEL:**

SHARON PIGEON - ASSISTANT ATTORNEY GENERAL

MICHELLE BROWN  
COURT REPORTING, INC.  
P. O. BOX 1325  
GRUNDY, VIRGINIA 24614  
(276) 935-7141  
(276) 935-8374 (Fax)

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BENNY WAMPLER: Okay, we'll go ahead and call the meeting to order. We'd ask everyone to take a seat, please. If you have cell phones, we'd ask you to turn those off during the hearing. It is being recorded. These mics are not amplified. We don't have an amplifying system. It's simply to record what goes on here today. My name is Benny Wampler. I'm Deputy Director for the Department of Mines, Minerals and Energy and Chairman of the Gas and Oil Board. I'll ask the Board members to introduce themselves starting with Ms. Quillen.

MARY QUILLEN: Mary Quillen, Director of Academic Graduate Programs for the University of Virginia here at the Higher Ed Center, a citizen member.

PEGGY BARBAR: My name is Peggy Barbar, Engineering Dean at Southwest Virginia Community College, a public member.

BILL HARRIS: I'm Bill Harris, a faculty member of Mountain Empire Community College, a public member from Wise County.

SHARON PIGEON: I'm Sharon Pigeon with the Office of the Attorney General.

DONNIE RATLIFF: I'm Donnie Ratliff with Alpha Natural Resource, representing coal.

BRUCE PRATHER: I'm Bruce Prather. I'm the newest

member of this Board. I'm representing the oil and gas industry.

BOB WILSON: I'm Bob Wilson. I'm the Director of the Division of Gas and Oil and Principal Executive to the Staff of the Board.

BENNY WAMPLER: Thank you. The first item on today's agenda is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AV-148. This is docket number VGOB-06-1114-1771 continued from November. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mr. Chairman, Mark Swartz. This item and item number two on the docket were continued. We've been negotiating with Penn Virginia and we continue to do that. We feel like we're going to reach an agreement. We'd ask your indulgence to give us another month if you could.

BENNY WAMPLER: And that's also docket number VGOB-06-1114-1776, is that correct?

MARK SWARTZ: Correct.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Could I request on a continued continuance that the Board consider asking for a date

ascertain rather than continuing to carry it forward from a month to month basis and having to republish and so forth and so on on this, for one more carried forward possibly.

JIM KAISER: Mr. Chairman, Jim Kaiser on behalf of Penn Virginia. I think that will probably be sufficient, but I'm not absolutely sure. I don't know if there's any kind of mechanism that if this...I know it's having an impact on you all financially. I mean, I don't know if there's any mechanism that you can ask the applicant or the party objecting to pay for the publication. My client wouldn't have any problem with that.

MARK SWARTZ: I mean, we don't either.

BOB WILSON: There's really no provision for anything like that. Once we have charged for the initial item, it's about the only...only mechanism we have for collecting charges for.

BENNY WAMPLER: Right.

MARK SWARTZ: No, but if we volunteer you can't even deposit that money?

BOB WILSON: Not really because---.

MARK SWARTZ: Okay, okay. That's what I was asking.

JIM KAISER: Yeah, that's the only question. I mean, we don't want to put you all in a bind.

MARK SWARTZ: Okay.

BENNY WAMPLER: Yeah, it's not those kind of issues. But do you think thirty days is adequate or do you need---?

MARK SWARTZ: Well, if it's not, we'll just dismiss it and we'll start over. I mean...which is what we've talked about before.

BENNY WAMPLER: Okay. That's what...that's what we'd really like to do.

JIM KAISER: That's fine.

MARK SWARTZ: We feel like we're going to reach an agreement.

JIM KAISER: That's fine.

BENNY WAMPLER: Okay. They are continued to January's meeting.

MARK SWARTZ: Thank you.

BENNY WAMPLER: Thank you. The next item before the Board is a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit YYY-36, docket number VGOB-06-1114-1798. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TOM MULLINS: I'm Tom Mullins with the Street Law Firm representing GeoMet. We are going to ask that these

matters be continued on docket numbers two, three, four, five, six, thirty and thirty-one with leave of the Board. The parties, GeoMet and Equitable, are hoping to work something out.

BENNY WAMPLER: Okay. I'm going to call these docket numbers and you follow me and see if I get them all.

TOM MULLINS: Yes, sir, I'll do that.

BENNY WAMPLER: Proposed for a continuation is docket number VGOB-06-1114-1798 and VGOB-06-1114-1800, 1114-1801, 1114-1811, 1114-1812 and VGOB-06-1219-1847 and 1219-1848.

TOM MULLINS: Yes, sir, that is correct.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: We'd like, again, to ask for the Board's consideration for making this a final carried or carry it forward to a date ascertain that they think they can have this wrapped up.

BENNY WAMPLER: Do you think you can do it by the January hearing?

TOM MULLINS: Yes, sir.

BENNY WAMPLER: They are continued. Thank you.

TOM MULLINS: Thank you.

JIM KAISER: Do you want to continue with the



housekeeping? I've got a few of them.

BENNY WAMPLER: Yes.

JIM KAISER: Mr. Chairman, items...Jim Kaiser this time on behalf of Chesapeake Appalachia. Items twenty-two, twenty-three and twenty-four, we'd ask that they be withdrawn from the docket. We have obtained voluntary leases from all of the unleased parties that we had at the time of the filing of the application. So, they're all voluntary units at this point. So, we'd ask that those three be withdrawn. That would be 1840, 1841 and 1842.

BENNY WAMPLER: Those items are withdrawn. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AV-102, docket number VGOB-06-1219-1828. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: State your name for the record, please.

JENNIFER HELTON: I'm on the 1219-1829. My name is Jennifer Helton.

BENNY WAMPLER: We're not at that---.

JENNIFER HELTON: You called both of them. So, do I need to go back?

BENNY WAMPLER: Not necessarily.

JENNIFER HELTON: Okay.

BENNY WAMPLER: You're welcome to sit there, but we're working just on 1828 right now unless there's a move to combine anything.

MARK SWARTZ: I don't think so.

BENNY WAMPLER: Okay. The record will show no others. You may proceed.

(Leslie K. Arrington is duly sworn.)

LESLIE K. ARRINGTON

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, would you state your full name for us, please?

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

Q. And what do you do for them?

A. Manager of environmental and permitting.

Q. And as part of your job, are you responsible for preparing pooling applications and the related exhibits?

A. Yes, I am.

Q. And with regard to this unit that we're going to be talking about first today AV-102, did you either prepare the application, notice and related exhibits or have people that work for you prepare them?

A. Yes, I did.

Q. Okay. And did you sign both the notice and the application?

A. Yes, I did.

Q. Who's the applicant?

A. CNX Gas Company.

Q. And is CNX Gas Company a limited liability company in Virginia?

A. Yes, it is.

Q. Is it authorized to do business in the Commonwealth?

A. Yes.

Q. And who is it that the application is requesting be appointed the Board's designated operator if the unit is pooled?

A. CNX Gas.

Q. And in that regard, has CNX Gas registered with the DMME?

A. Yes, it has.

Q. Has it posted a blanket bond as is required

by law?

A. Yes.

Q. What did you do to notify the respondents and others that we would be having a hearing today?

A. We mailed by certified mail, return receipt requested on November 17, 2006. We published in the Bluefield Daily Telegraph on November the 27th, 2006.

Q. Have you filed proofs of publication and your certificates with regard to mailing with Mr. Wilson's office?

A. Yes, we have.

Q. When you published, what did you publish?

A. We published the notice of hearing and attached location map.

Q. Do you wish to dismiss any of the respondents today?

A. No.

Q. Do you wish to add any people as respondents?

A. No.

Q. What kind of a unit is this?

A. It's a Nora. It's 51.03 acres.

Q. And how many wells are you proposing?

A. One.

Q. What kind of a well in the sense of a frac or something else?

A. A frac well.

Q. And this particular well is located outside the drilling window, if I'm not mistaken.

A. Yes, it is.

Q. And why is that?

A. Topography.

Q. What is the...have you provided a well cost estimate for this well?

A. Yes. It's \$263,010.66 to a depth of 2424.

Q. And I take it you don't have a permit yet?

A. It has just been issued.

Q. Just issued?

A. Uh-huh.

Q. Okay. Do you know the number?

A. No.

Q. In terms of standing, would you tell the Board what interests you've been able to acquire by lease or purchase and what interests you're seeking to pool?

A. Yes. We've leased 100% of the coal owner's claim to coalbed methane and 95.6692% of the oil and gas owner's claim to coalbed methane. We're seeking to pool 4.3308% of the oil and gas owner's claim to coalbed methane.

Q. Is escrow required?

A. Yes, it is.

Q. And would that be because of conflicts between coal, oil and gas interests?

A. Yes, it is. Tracts 2A, 2B, 2C and 2D.

Q. Okay. And have you provided the Board with an Exhibit E that sets forth that information---?

A. Yes, we have.

Q. ---as well?

A. Yes, we have.

Q. No split agreements?

A. No.

Q. What lease terms have you, in general, have been offering to the folks that you have been able to lease?

A. Our standard lease terms for a coalbed methane lease is a dollar per acre per year with a five year paid up term with a one-eighth production royalty.

Q. And would you request that the Board include those terms in any order that it might issue pooling this unit with regard to folks who would be deemed to have been leased?

A. Yes, we would.

Q. Is it your opinion that the plan to drill one frac well in this unit is a reasonable plan to develop

the coalbed methane resource in and under this unit?

A. Yes, it is.

Q. And is it your opinion that if you combine the leasing efforts and the acquisition efforts that the applicant has succeeded in reaching agreements or reaching purchases with a pooling order pooling the interests that you've just described that the correlative rights of all owners and claimants would be protected?

A. Yes, it would.

MARK SWARTZ: That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: And let me just make sure. You did say 1829 is the one that you're interested in?

JENNIFER HELTON: Yes, number eight.

BENNY WAMPLER: I just wanted to make sure. Do you have anything further?

MARK SWARTZ: No, I do not.

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: I move to approve, Mr. Chairman.

MARY QUILLEN: Second.

BENNY WAMPLER: Motion to approve and a second.  
Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit FF-43, docket number VGOB-06-1219-1829. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: I need you to state your name.

JENNIFER HELTON: Jennifer Helton. I'm here on behalf of Donald Rose.

BENNY WAMPLER: The record will show no others. You may proceed, Mr. Swartz.

MARK SWARTZ: Mr. Chairman, I would request that you incorporate Mr. Arrington's testimony with regard to applicant, the operator, standard lease terms and his employment, if you would.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON



DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, you need to state your name again.

A. Leslie K. Arrington.

Q. We have some revised exhibits here?

A. Yes, we do. It's an Exhibit B-2, B-3 and A-2.

Q. Okay. And is the...what is the reason for the revisions?

A. There is one party that we've leased and one, I believe, or maybe two that was not an owner.

Q. Okay.

A. Two...two that was not on the list.

Q. And the reasons are listed in Exhibit B-2, which is in the packet which Anita just passed out?

A. Correct.

Q. Who is the applicant?

A. CNX Gas Company.

Q. And is the...does the application request that the applicant also be the designated operator if this pooling application is approved?

A. Yes.

Q. The...what did you do to notify the folks that you've listed in the notice of hearing and in Exhibit

B-3, and others, that there would be a hearing today?

A. We mailed by certified mail, return receipt on November 17, 2006 and published in the Bluefield Daily Telegraph on November 27, 2006.

Q. And have you filed proofs of...the proof of publication, certificate of publication that you get from the newspaper and your certificates with regard to mailing with Mr. Wilson?

A. Yes, we have.

Q. Do you wish to add any folks as respondents today?

A. No.

Q. Okay. But I gather we need to dismiss several.

A. Dismiss one due to being leased and too that we determined was not an owner.

Q. Okay, let's...let's refer to Exhibit B-2. And the folks that you determined...the person that you determined that was no longer an owner or the company is what?

A. It's Mr. Snapp, I believe...I'm sorry. Okay, Oakwood Market.

Q. No, no, I got the wrong...that's M-17.

A. That's M-17, Mark. Mr. Snapp.

Q. We need to get to...okay, Mr. Snapp?

A. Yes.

Q. Okay. And then who is it that you've leased?

A. That's...that's the one we leased. The one that we're dismissing is a Billy Johnson and a Betty Johnson.

Q. Okay, okay. And other than those folks, is it your view that you have the appropriate list of respondents today?

A. Yes.

Q. Okay. What interests have you acquired and what interest are you seeking to pool in this unit?

A. Yeah. We've leased 100% of the coal owner's claim to coalbed methane in this unit and we've leased 76.8125% of the oil and gas owner's claim to coalbed methane. We're seeking to pool 23.1875% of the coal owner's claim to...I mean, the oil and gas owner's claim to coalbed methane.

Q. And, obviously, you have, I assume, a revised Exhibit B-3 in that regard because the percentages have changed since you've filed?

A. Right. We did---.

Q. And are those the numbers that you just

referred to?

A. Yes, it is.

Q. Okay. We have some unknowns here or folks that you don't have addresses for?

A. Tract 4B.

Q. Okay. And then do we have an escrow requirement because of conflicts as well?

A. Yes...yes. 2A, 2B, 2C, 2D, 2E, 2F, 4A and 4B.

Q. And have you filed an Exhibit E with the Board with regard to escrow requirements?

A. Yes, we have.

Q. And I take it in this unit you don't have any split agreements, so we're not dealing with that?

A. Correct, none today.

Q. Okay. Have you provided the Board with a well cost estimate?

A. Yes. It's \$254,208.40 to a depth of 2208.

Q. Okay. What's the permit status at this point?

A. It hasn't been issued yet.

Q. Has it been applied for?

A. Yes, it has.

Q. What kind of unit is this?

A. It's an Oakwood. It's an 89.38 acres due to the fact that the FF units are the last unit in the Oakwood Field, which makes it a bit bigger.

Q. Okay. And how many wells are you proposing?

A. At this time, one.

Q. And what kind of a well?

A. A frac well.

Q. And where is it located in relation to the drilling window?

A. Within.

Q. Is it your opinion that drilling a frac well in the drilling window of this Oakwood I unit is a reasonable way to develop the coalbed methane?

A. Yes, it is.

Q. Is it your further opinion that if you combine the leases and acquisition efforts that the applicant has succeeded in with a pooling order pooling the outstanding oil and gas interests and claims that the correlative rights of all owners and claimants would be protected?

A. Yes, it will be.

MARK SWARTZ: That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the

Board?

BILL HARRIS: Mr. Chairman, I do have a question.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: The plat shows two wells.

LESLIE K. ARRINGTON: It does.

BILL HARRIS: There's a 43 and a 43A. Could you address that?

LESLIE K. ARRINGTON: Yes. At this time, I've only applied for the one well. I believe, it's FF-43.

BILL HARRIS: 43.

LESLIE K. ARRINGTON: And we're still working toward the other one, but we'll get there and we'll have to come back on that issue.

BILL HARRIS: So, you will just the same plat for both?

LESLIE K. ARRINGTON: We will.

BENNY WAMPLER: Other questions?

BILL HARRIS: Thank you.

BENNY WAMPLER: Ms. Helton.

JENNIFER HELTON: I'm here today because we objected to the permit being issued and we objected on the basis that no one from CNX or Consol has even contacted my father, Mr. Rose, to talk to him about doing this well and his royalties on the well. They have...they do list my

father as the gas and oil owner. The first time that we ever heard about this well was when we received the letter from Consol and CNX trying to get the permits for FF-43. At that point in time, we sat down and we wrote a letter to Mr. Wilson telling him that nobody from Consol or CNX's office had even bothered to try to contact my father on the issue of this permit. And still, as to this day, nobody from Consol or CNX has tried to contact my father about this on his royalties on the gas on the property. I do have a copy of the letter that I sent Mr. Wilson if you would like a copy of it. I only brought one copy of it, but I will give it to you if the Board would like to see it. But like I said, as to this very day, they have not tried to contact Mr. Rose or myself.

BENNY WAMPLER: But the letter was about the permit application itself---?

JENNIFER HELTON: Yes.

BENNY WAMPLER: ---and not the pooling?

JENNIFER HELTON: Yes. It was about the...about the application itself. That's why we objected to their permit and then we received a letter where they had done the pooling and that is why we are here today objecting to the pooling of the gas and oil and minerals located in the vicinity of where CNX is wanting to put this well.

BENNY WAMPLER: Hold on just one second. Folks, we've got a lot of chatter in here. It really is going to start interfering with the person trying to record. So, I would ask you to hold it down. Mr. Arrington, do you want to respond?

LESLIE K. ARRINGTON: Yes, sir. We have actually been in contact with Mr. Rose. We have had some phone calls that were...actually messages left on our machines that were very unpleasant and they...in saying that, we felt it would be better to get this point that we are today instead of being externally confrontational as those phone calls...phone messages were and pool the well. We felt that those phone calls were very threatening.

BENNY WAMPLER: Let me ask one other question. Is the well on Mr. Rose's property?

LESLIE K. ARRINGTON: No, sir.

BENNY WAMPLER: He's in Tract 2A, is that correct?

LESLIE K. ARRINGTON: Let me get to the plat.

JENNIFER HELTON: Can I address the phone calls?

BENNY WAMPLER: Just one second. Let me get him to answer my question.

LESLIE K. ARRINGTON: No, sir.

MARK SWARTZ: No, his question actually was...is Mr. Rose in Tract 2A.



BENNY WAMPLER: In Tract 2A?

LESLIE K. ARRINGTON: Yes, Mr. Rose is...it is.

BENNY WAMPLER: And the well is in Tract 2C, the well that we have before us today?

LESLIE K. ARRINGTON: 2C. There is a well location on 2C and Tract 1 and you'll note that neither of those tracts Mr. Rose has an interest in.

BENNY WAMPLER: Okay. You may address the phone calls.

JENNIFER HELTON: Okay. The telephone calls were made by me. I left the telephone calls for Mr. Booth telling him that there was no way that I would let him drill the wells. That if I had to set up a tent down on the property. The property that they are talking about is dispute. It is disputed land. DMME can do nothing about disputed land. But Consol had also told us that...at one time when I was talking to Mr. Booth, he had told us that Consol or CNX would not dare try to come on disputed land, which is what they're trying to do in pooling this well. I was the one that made the phone calls and not my father. I had told Mr. Booth that I would not let him down there on that land to drill a well if I had to sit down on the land with a shotgun to keep the machinery off of it. I have also talked to Mr. Wilson and I also told Mr. Wilson and Mr.

Cooper that I would not let Consol or CNX on the land if I had to set up a tent down there and set on the land that I would not let them down there. They did not need to contact me. It was my father that they needed to contact. Like I said, I was the one that made the phone calls and not my father. My father is the one that they needed to contact. I will admit that I made phone calls. I called Mr. Cooper and told him and I told Mr. Wilson that I would not let Consol or CNX down on the property where they are wanting to put the wells. My father rides his four wheeler down there and I have the stakes for these wells sitting in my living room floor. It wasn't me that they needed to contact. It was Mr. Rose that they needed to contact. There is...I'm my own person and he is his own person and they would have found out that he is not nowhere near as angry as I am. We are upset over this because they have not contacted him, which they did need to contact him and they would have not had half the trouble that they have had if they would have just got in touch with him and talked to him about his mineral rights.

BENNY WAMPLER: Questions from members of the Board?

MARY QUILLEN: Mr. Chairman, I have---.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---a question. Is the Donald Rose in Tract 1A, number 1 in Exhibit B-3?

BILL HARRIS: It was Tract 2A .

MARY QUILLEN: I'm sorry, 2A, the first person number 1 that's listed under there. There is a signed returned receipt that he just gave us that is signed by Donald...it looks like Donald F. Rose.

BENNY WAMPLER: Any other---?

MARY QUILLEN: I just wanted---.

BENNY WAMPLER: I mean, I do verify that this a signed---.

MARY QUILLEN: That is...and that is---.

BENNY WAMPLER: ---and that notice was, in fact, perfected.

MARY QUILLEN: Thank you.

JENNIFER HELTON: And that was the first...the first time that we ever knew, except for when D. R. Price was down there doing the surveying and we tore up those stakes. I also called D. R. Price and informed them that they were trespassing and we did not want them back down on the property and I talked to Mr. Price personally and told him that he was trespassing and that we did not want him back down on the property. After that, there was no more engineers down there. They did not replace the second stake

and my dad has put no trespassing signs up all down through there. And when we received this application that they had applied for the permit was the first time that we had heard about anything going on down there because I had called Consol and told them that we would not let them down there and that they were trespassing and I would do whatever I had to do to keep them off of the property.

BENNY WAMPLER: Well, I guess the one thing that the Board may be having a little difficulty with is that it shows that Mr. Rose owns Tract 2A and the well is... neither of the wells are proposed on Tract 2A. So, are you saying that the whole unit...that you challenge ownership on the whole unit? I don't understand.

JENNIFER HELTON: I don't have the map that you all looking at in front of me. Yes, we are challenging...we have personally been to your office before over this same situation with Knox Creek. Yes, we are challenging...I think what they're showing is the FF-43 is supposed to be on Mr. Hodges, which sits right next to my father's land. That FF-43 is supposed to be on Mr. Hodges' land, which is right beside of my father's land, which when doing the drilling...I mean, they can pull the mineral rights right out of there. We are not---.

MARY QUILLEN: It doesn't look like that on our

map.

BENNY WAMPLER: Pardon?

MARY QUILLEN: It doesn't look like it's adjacent---.

JENNIFER HELTON: No, it's not---.

SHARON PIGEON: She's talking about this.

BENNY WAMPLER: She's talking about Hodges. Hodges is 2C.

MARK SWARTZ: Right.

MARY QUILLEN: Right. But 2B is the parcel that's in between 2A and 2C. So, it's not directly adjacent.

BENNY WAMPLER: Right.

JENNIFER HELTON: Well, that...that is where the dispute comes in at. It is a big land dispute up there. We did not object on the land disputes because we know that DMME can do nothing about the land dispute. I have been in visits with the DMME since 1998. I am objecting on the royalties because they have not even bothered to come and talk to Mr. Rose on the royalties. We also received where they have applied for FF-43A. I also sent a letter of objection on FF-43A.

BENNY WAMPLER: Do you have anything further?

MARK SWARTZ: Yes. Mr. Arrington, do you have something to add?

LESLIE K. ARRINGTON: Yes. I believe our land person, Scott Hodges, has talked to Ms. Rose. She supplied us with the group of deeds that she is claiming ownership through. We plotted and researched those deeds and those deeds come out to exactly what our map shows. I brought with us today the draftsman that took those deeds and plotted them and we generated the map from them. So, I mean, if there is any dispute, you know, we did...we did go through all of the information that she gave us.

BENNY WAMPLER: Yeah, it's...I mean, it's recognized that it is a conflicting claim anyway. We're just trying to---.

MARK SWARTZ: Right.

BENNY WAMPLER: Any other questions from members of the Board?

BRUCE PRATHER: I'd like to ask a question.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Is the access road or the pipeline going across her property?

LESLIE K. ARRINGTON: Not Tract 2A, no.

BRUCE PRATHER: Okay. Okay.

JENNIFER HELTON: One of their engineers came up and looked at the road going right down in front of my home to put the road down to where they're wanting to put this

well. I mean, right smack dab in front of my house and my father's house.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

MARK SWARTZ: The roads are indicated on the plat.

BENNY WAMPLER: Right.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: One thing, we will need a revised Exhibit E to reflect the folks that you dismissed from the application.

LESLIE K. ARRINGTON: Okay.

MARK SWARTZ: Oh, the...right. We'll make a note of that, Bob.

BENNY WAMPLER: Okay.

(Bill Harris shows Jennifer Helton the plat and she shows the plat to her father, Donald Rose.)

BENNY WAMPLER: Just for record, Mr. Harris provided Ms. Helton a copy of the plat that's in the application, Exhibit A, and she's reviewing that with her father. Do you have anything further, Ms. Helton?

JENNIFER HELTON: No.

BENNY WAMPLER: Anything further?

MARK SWARTZ: No, sir.

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: Motion to approve, Mr. Chairman.

MARY QUILLEN: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying  
yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. The next item  
on the agenda is a petition from CNX Gas Company, LLC for  
repooling of coalbed methane unit M-17. This is docket  
number VGOB-06-0919-1713-01. We'd ask the parties that wish  
to address the Board in this matter to come forward at this  
time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: Let me...Bob, the folks from  
Alabama, I don't know if they want to come down or not. I  
don't know how well he hears. The gentleman there and the  
lady. If you'll go back and let them know this is the one  
that they were talking about.



(Pause.)

BENNY WAMPLER: I met these folks this morning and they're here from Alabama and I didn't want you to miss the opportunity if you had...you know, to say something. We'll give you an opportunity...we'll first ask them to talk about what they're planning to do. You can hear that and then we'll give you the chance to ask questions or make a statement.

BOBBIE SHORTRIDGE: Okay. Thank you.

BENNY WAMPLER: State your name for record, if you will.

BOBBIE SHORTRIDGE: I'm Bobbie Shortidge.

BENNY WAMPLER: Okay.

BOBBIE SHORTRIDGE: I was Bobbie Grizzell before I was married.

PAUL SHORTRIDGE: I'm Paul Shortridge.

BENNY WAMPLER: Mr. Swartz, you may proceed. The record will show no others.

MARK SWARTZ: Mr. Chairman, I would ask that you incorporate Mr. Arrington's prior testimony today with regard to the applicant and their status in the Commonwealth and the operator, standard lease terms and his employment, if you could.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, you need to state your name for us again.

A. Yes, Leslie K. Arrington.

Q. And who do you work for?

A. CNX Gas Company.

Q. This is a repooling, is it not?

A. Yes, it is.

Q. Okay. And this was originally heard in September, I think.

A. Yes.

Q. Okay. And was pooled and we're back here because we missed some folks that we thought---?

A. We did.

Q. ---we had a lease and it turned out that we didn't?

A. Right.

Q. Okay. Have you used the same cost estimate that you used before?

A. Yes, we did.

Q. And what is that cost estimate for this

well?

A. \$225,378.50 to a depth of 1238 feet.

Q. Okay. And are you requesting that only the folks that we've added to pooling to be given an option to participate at that number because the other folks have already their opportunity?

A. Yes.

Q. Is that---?

A. Yes.

Q. Okay. What kind of a well is this?

A. It's an Oakwood well.

Q. How many acres?

A. 80.

Q. And in the sense of a frac well or some other kind of well, what kind is it?

A. It will be a frac well.

Q. Okay. And is it located in the drilling window or outside of the drilling window?

A. It's in the drilling window.

Q. Okay. What did you do to notify the people that you've listed as respondents and on Exhibit B-3 and other people that there would be a hearing today?

A. We mailed by certified mail, return receipt on November 17, 2006. We published in the Bluefield Daily

Telegraph on November 28, 2006.

Q. And when you published, what did you publish?

A. The notice of hearing and the location map.

Q. And have you filed the certificate of publication that you got from the newspaper with Mr. Wilson?

A. Yes, we have.

Q. And have you filed your certificates with regard to the mailings that you accomplished?

A. Yes, we have.

Q. Do you want to add anybody as a respondent today to the list of respondents?

A. Well, we're adding due to a name change or a ownership change. We're changing on our Exhibit B-2 that we've supplied. Oakwood Market, there's a new owner. It's Jimmy and Miranda Horn.

Q. Okay. So, essentially, you've got the same interests, but you've updated the name?

A. Yes, have.

Q. Okay. And so in a sense, you're getting rid of Oakwood Market as a respondent, although the interest is still in the unit, and you updating the record to indicate that Jimmy and Miranda Horn should be owners?

A. Yes.

Q. Any other additions?

A. No.

Q. And then, obviously, from a dismissal standpoint, Oakwood Market does not need to be pooled?

A. Correct.

Q. Have you revised Exhibit B-3 in the revised packet of Exhibits to reflect those changes?

A. Yes, we have.

Q. And have you neglected to revise Exhibit E and do you need to make those changes?

A. We'll make those changes and submit a revised Exhibit E.

Q. Okay. As long as we're on the subject of Exhibit E, we do have some unknown addresses, do we not?

A. Tract 6.

Q. Okay. And we've got a title question or a title dispute in...I think it's Tract 15B---?

A. Yes.

Q. ---which would be another reason for escrow, correct?

A. Yes.

Q. And you've indicated that as well at page three of five...I'm sorry, four of five---?

A. Yes.

Q. ---of Exhibit B-3---?

A. Yes.

Q. ---and it would be shown n Exhibit E as well?

A. It will be.

Q. And lastly then, what would be the collection of tracts in this unit that require escrow for one reason or another?

A. Tract 5, 6, 7, 8, 9B, 10, 11, 12, 15A, 15B, 15C and 16.

Q. 9 was that B as in boy?

A. 9B, yes.

Q. Okay. Do you have any split agreements in this unit?

A. No.

Q. What interests have you acquired by lease or purchase and what are you seeking to pool today?

A. We've leased 97.8375% of the coal owner's claim to coalbed methane. 84.9% of the oil and gas owner's claim to coalbed methane. Seeking to pool 2.1625% of the coal owner's claim to coalbed methane and 15.1% of the oil and gas owner's claim to coalbed methane.

Q. And the reason that you don't have an amended Exhibit A, page two is because the percentages have

not changed---?

A. They did not change.

Q. ---just the owners' names?

A. Correct.

Q. Okay.

A. Correct.

Q. Is it your...does it continue to be your opinion that developing this 80 acre Oakwood unit by drilling a frac well in the drilling window is a reasonable way to develop the coalbed methane under this unit?

A. Yes, it is.

Q. And is it your opinion that if you combine a pooling order with the leasing and acquisition efforts of the applicant that you will be able to protect the correlative rights of all owners and claimants?

A. Yes, we will.

MARK SWARTZ: That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you folks have any questions or comments?

BOBBIE SHORTRIDGE: Pardon me?

BENNY WAMPLER: Do you have a question or a

comment that you'd like to---?

BOBBIE SHORTRIDGE: Well, to be honest with you, I didn't sign anything because I didn't understand what was going on as far as where the well would be put. I wondered what we were supposed to do as the owners of the property.

BENNY WAMPLER: Do you know what tract she's in, Les?

MARK SWARTZ: I think they're in 15A, if I'm not mistaken.

LESLIE K. ARRINGTON: Is that James Grizzell.

BOBBIE SHORTRIDGE: James Bourne Grizzell was my father.

LESLIE K. ARRINGTON: Okay, okay. That's Tract 15A.

DONNIE RATLIFF: Then there's a Bobbie Shortridge there too.

LESLIE K. ARRINGTON: And if you'll note, the tract the well is on is Tract 1A and then they're on Tract 15.

BENNY WAMPLER: Do you care to show her, Les?

LESLIE K. ARRINGTON: Okay. Sure, no problem.

(Mark Swartz and Leslie K. Arrington explain to Mr. and Mrs. Shortridge where their property is in relation to the well.)



BENNY WAMPLER: Explain one thing to them about the unit and how their land my lie in that unit just picking up one corner of their land. Do you follow me? I'm thinking that they may be feeling like that this is all of their land and it's actually just a pretty small portion of their land.

(Mark Swartz continues to explain to Mr. and Mr. Shortridge how their land is laid out in relation to the well, how the unit is laid out and explains the exhibits.)

BENNY WAMPLER: I'll tell you what we'll do, we'll take a...we'll take five minutes and go off the record and let you just explain...you know, continue to have a discussion on it.

(Off record.)

BENNY WAMPLER: Mr. Swartz, did you have anything further?

MARK SWARTZ: I don't, but we had a discussion off the record and I think it helped in terms of well location anyway.

BOBBIE SHORTRIDGE: Thank you.

BENNY WAMPLER: Oh, you're very welcome.

BENNY WAMPLER: Is there any other questions from members of the Board?

BILL HARRIS: Yes, Mr. Chairman,---.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: ---one for Mr. Arrington about the plat, again. If you would look at the plat, the well reference is M-17 in the docket item, but on the plat it's M-17B.

LESLIE K. ARRINGTON: It is M-17B, the well location.

BILL HARRIS: So, it should be---?

LESLIE K. ARRINGTON: The well locat...we are referencing the well as M-17B. Okay, the unit M-17.

BILL HARRIS: Okay.

LESLIE K. ARRINGTON: We originally had a couple other wells proposed for this unit. We ended up, this is the well that we're going to use.

BILL HARRIS: Do we...do we need to make any correction in terms of---?

LESLIE K. ARRINGTON: No, sir. This is...the plat is correct as it is.

MARK SWARTZ: And that's what we call the well.

LESLIE K. ARRINGTON: M-17B.

BILL HARRIS: Okay. Thank you.

BENNY WAMPLER: Anything further?

(No audible response.)

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: Motion to approve, Mr. Chairman.

BILL HARRIS: Second.

BENNY WAMPLER: Motion to approve and a second.

Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

Thank you very much. Folks, have a safe travel back to Alabama. The next item on the agenda is a petition from CNX Gas Company, LLC for a modification of Oakwood I Field Rules to allow for drilling of an additional well in units M(-2) to M-0 and N(-3) to N-1; O(-4) to O-0; etcetera. This is docket number VGOB-93-0216-0325-11. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz, Les Arrington and Rick Toothman.

KARL KINDIG: Karl Kindig.

BENNY WAMPLER: The record will show no others. You may proceed, Mr. Swartz.

MARK SWARTZ: I'd like to incorporate Mr. Arrington's prior testimony with regard to the applicant and with regard to his employment, if I could.

BENNY WAMPLER: That will be incorporated.

MARK SWARTZ: Thank you.

(Anita Duty passes out exhibits.)

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. ARRINGTON:

Q. Les, tell the Board why we're here today.

A. Yes. We're requesting, as we've been here before in the past, to request additional wells within some Oakwood units. We're passing out maps now that will indicate those locations of the area.

Q. And on the map that we're passing out, I'm not great with the name of this color, but is that fuschia.

A. It's that color.

Q. Okay. It's that color. It's this sort of picky, red color is the area that we're here on today and we're giving the Board two maps, but the more colorful map depicts the area that we're here on today and it also depicts areas that we've been here on before with regard to infill drilling?

A. Yes, it does.

Q. Okay. And this area today is actually on the western side of the map, correct?

A. Yes.

Q. Okay. Have you described the affected units in your application and listed them by identification?

A. Yes, we have.

Q. Okay. And have you also provided a boundary designation in your application?

A. Yes, we did.

Q. And a calculated acreage, both at page ten?

A. Yes. It was 7,685 acres.

Q. Okay. And the requests that you're making is to be allowed to drill one additional well in the units depicted on this map?

A. Yes, we are.

Q. And in terms of location, where are you proposing that they be located?

A. Within the drilling window.

Q. So, they would...the second well would have to be in the drilling window?

A. Yes.

Q. And is there some distance requirement that we've met before with regard to the distance between those

wells?

A. Yes, it is. 600 feet.

Q. Okay. So, even if they're in the drilling window, they have to be 600 feet apart?

A. Yes.

RICK TOOTHMAN

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Okay. Rick, go ahead and state your name.

A. Rick Toothman.

MARK SWARTZ: Could you swear him?

(Rick Toothman is duly sworn.)

Q. Who do you work for?

A. CNX Gas Company.

Q. How long have you worked for CNX?

A. Combined twenty-one years.

Q. And before that were you a student?

A. Yes.

Q. Where did you go to school?

A. West Virginia University.

Q. And what degree did you receive?

A. I got a degree in petroleum engineering.

Q. And in the twenty-one years that you have

been with CNX and/or its predecessors, could you tell the Board generally what kind of work you've been doing?

A. Yeah, the majority of that time has been spent in coalbed methane and I've done that in several basins across the U.S.

Q. What are the other basins?

A. The San Juan in Basin, Norther Appalachian Basin.

Q. San Juan is where?

A. New Mexico. Primarily in New Mexico.

Q. And then the Appalachian region here?

A. Yes.

Q. How long have you been looking at petroleum engineering and reservoir issues in the Appalachia?

A. Since 1992...'91 or '92, somewhere right in that ballpark.

Q. So, we're working on fifteen...fifteen years?

A. Yes.

Q. Okay. In the course of your employment, can you tell the Board whether or not you have been involved in considering and accessing in place coalbed methane reserves?

A. Yes, I have done that.

Q. Okay. Is that something that you've regularly done?

A. Yeah, in place and recoverable reserves.

Q. Okay. I was going to get to recoverable. And have you also, in addition to looking at what's in the ground, also looked at what you can get out of the ground?

A. Yes, I have.

Q. Is that something that you regularly do in your job?

A. Yes. I'm charged with doing that on a annual basis.

Q. And was that something that you were trained or at least your education enabled you to do or is that something that you've learned on the job?

A. A little bit of both. I was schooled originally and then, you know, continued just through practice.

Q. Do you...can you tell the Board whether or not you also look at forecasting well production over time?

A. Yes, I do.

Q. What...what kind of programming or software do you use in your...in your role at CNX to forecast production of any given well?

A. We use different packages, but the most



common out there for economic and reserve forecasting is a package called Aires.

Q. Okay.

A. It's a commercial package. It's available to reservoir engineers.

Q. So, it's something you purchase?

A. Yes.

Q. And when you forecast well production going forward, do you input production data for the well you're interested in?

A. Yeah, if it's available for forecasting existing production or an existing well, yes, that's what we do.

Q. You would input that?

A. That's right.

Q. And what's the period of time that you're looking at?

A. Whatever the history is.

Q. Okay. Can you go out as far as 65 years with that program?

A. Yes.

Q. And can you tell the Board whether or not forecasting future production of individual wells and wells in a field is something that you address on a regular basis

in your employment?

A. Yes, it is.

Q. Do you recognize the other map that we've given the Board today?

A. Yes.

Q. Okay. Is that...is that something that we have...that you have talked to the Board about before?

A. Yes, it is.

Q. Okay. And there's some insects here which graph data. I think they're four of them, correct?

A. That's correct.

Q. Since we're not starting from zero here, why don't you summarize what...why you've reported this or provided this data to the Board, what it means in terms of infill drilling and how it supports the concept.

A. Okay. Well, the original Oakwood Field was set up on 80 acre square units, which are basically denoted by the grids on the map with an exception and that is within a mine plan, the operator basically had the ability to drill on any spacing that it wanted to and that was to ensure the safety and productivity of the mines. We chose, due to timing issues in those cases, to drill wells much closer than 80 acre spacing and that's what allowed us to look at some of these first areas. If you look at the graph in the

very center of the map, we designated that as a...we called it the purple area. It just has to do with the wells being gathered in a particular area. But because this was in future mine plans, we were...we were basically allowed to infill this on any spacing that we wanted and we chose 40 acre spacing. What you see on that graph, in the grey background, is the original wells as a group showing the 80 acre infill...excuse me, the 80 acre original wells. But then what's plotted in purple with that is the same number of infill wells that were added. What was significant is that you show in this case that the second well or the infill well, which did come on at a later date had a higher peak rate than the initially wells and that if you see shortly after the infill wells were drilled, you've got a positive response in the original well that was in the unit and that's just because there's basically interference between the two wells and as you draw the average pressure down you'll get more gas out of the unit. So, this was one of the first areas. Basically, we've stepped out and you can see the top graph. It shows something very...very similar. The...a little bit later in time, but you see the peak of the second well is still slightly higher than the original well. You saw a slight increase although it has been fairly flat. But the point is that all of these wells

show that you're getting improved recovery. A very strong performance or a similar performance out of the second well as to the first well.

So, what we've...what we've basically been doing outside of the projected mine plan, we did not have the ability to infill drill because the rules wouldn't allow us to do that, so we've been coming before the Board with the intent of infill drilling these units and improving the recovery of gas and the economics to all parties that are interested.

Q. Now, although you haven't spoken about it, it looks like the green data and the, I guess, 114 data seems consistent with what you've talked about, is that---?

A. That's...that's pretty much factual, yes.

Q. Okay. And then in the red outline, almost like a red pen, we've got the proposed area that we're here on today off again to the west of this map as well?

A. That's correct.

MARK SWARTZ: Okay. That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman, I do have a question.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: About the dates on your data here, do you have anything that's more recent that's maybe comparable or maybe I should ask it a different way, is your more recent data comparable?

RICK TOOTHMAN: We've tried to update...I can't...I can't see this particular one.

BILL HARRIS: Yeah, I was just trying to...it looks like January of '06 though and I don't know---.

RICK TOOTHMAN: The trends...I can speculate that this map may not have been updated, but what you're seeing is just a continuation of that trend. There's nothing out there that has been real disappointing.

BILL HARRIS: These don't take a nosedive after six months?

RICK TOOTHMAN: No...no, sir, it has not. We don't have any data that's closer to this over here to the west because we don't have the ability to infill drill. So, you know, the answer to that is we've been doing this this year, basically, going before the Board pretty much on a monthly basis to get approvals to do that. Most of that drilling or a lot of that drilling will actually take place this next... this next calendar year.

BILL HARRIS: I was curious about your production there.

RICK TOOTHMAN: Yeah.

BENNY WAMPLER: What does your model show over twenty-five to thirty years out?

RICK TOOTHMAN: As far as the production?

BENNY WAMPLER: Yes.

RICK TOOTHMAN: Across the entire field...what we're showing is an average well is going to be in the neighborhood of about 430 million cubic foot of gas per well. That's...and that actually...that's across this entire unit. That's what we're showing as part of our reserve evaluation. Obviously, you'll have better wells and worse wells than that, but that's what we show to be the average across the area.

BILL HARRIS: Can I just---?

BENNY WAMPLER: Sure.

BILL HARRIS: ---continue that a little bit? We don't have evidence on the wells for the west. Do we have...are the production figures for the wells that are in place similar or comparable to what we do have data for the infill drilling wells? I mean, if you were to plot those by themselves without even adding the model of the second well, is that representative of that?

RICK TOOTHMAN: I think what...it is. I think what you'll see across...across the entire field is that

regardless of the...we do have some better areas...that the entire average of that area may be better than others. But within any given area of the field, there are so many variables that control production that you'll see a wide margin in production performance from, you know, even adjacent units. That's not uncommon for that area over anything else. I mean, you can see wells, you know, doing multiple hundreds a day, three to five mmcf a day and you can see wells doing forty or fifty a day and they could be very...very near approximate to one another. So, that...that phoneme exist across the field.

BILL HARRIS: Thank you. Thank you, Mr. Chairman.

MARK SWARTZ: Mr. Harris, I've got an exhibit that I was going to use later today, but let me distribute that---.

BILL HARRIS: Oh, okay, sure.

MARK SWARTZ: ---because it pertains to the questions that you asked.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Are these wells all being produced out of the same coal zone essentially or are you picking up new zones as you go east?

RICK TOOTHMAN: The...essentially what we're trying to do is stimulate all coal seams that are available

to us to stimulate. So, there will be multiple coal seams. For the most part, everyone of these wells that we are proposing, we would stimulate everything that we can. Now, shallow coals we stay away from and so forth for various, you now, environmental concerns or issues. There are some places where there may be shallow mine voids that we may avoid because of the threat that we'll communicate to...you know, to either mine workings or the water that is in an abandoned mines and so forth. But for the most part, from below the P-3 seam all the way up through the Pocahontas seams and higher, we include the completion of those.

BILL HARRIS: Okay.

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. SWARTZ:

Q. But let me direct your attention to a chart that we prepared for another reason, but I think it pertains to the question that Mr. Harris asked. Is this a chart that you've prepared?

A. Yes, it is.

Q. And how many CNX gas wells are reflected in blue on this chart?

A. There's 1270 wells represented on this



chart.

Q. Okay. And they range from a point...a tenth of a bcf, right---?

A. That's right.

Q. ---up to 1.8 bcf?

A. That's correct.

Q. And---?

A. Ultimate recoveries.

Q. Okay. And on the left you're showing a frequency. So, if we came over...if we started at the frequency that you wells that produce in the range of .1 to .15 bcf, you've got slightly less than 50 out of this 1270 wells?

A. That's correct.

Q. And if you come over to try and estimate, what's the breakpoint on a 50/50 split if we look at the percentages which are on the right hand vertical column and we follow that line back, it looks like roughly half of your wells...half of the 1270 wells produce less than .5 bcf and roughly half produce more?

A. Will produce---.

Q. Will produce.

A. ---because that includes production plus forecast.

Q. Okay. And that's sort of just the distribution on either side of a halfway point?

A. That's right.

Q. Coming back to Mr. Harris' question about what your data indicates---?

BILL HARRIS: Let me interrupt just for a quick second. Frequency is number of wells?

MARK SWARTZ: Number of wells.

BILL HARRIS: Okay. I just wanted to clarify that. I thought it was, but I just wanted to make sure. Thank you.

MARK SWARTZ: Now, the red...the red wells, you know, that's just one and we've got a note of that. The red bars, GeoMet wells, there's no frequency. It's just that each red column is one well because they've only got six total wells.

BILL HARRIS: Okay.

Q. But in terms of...what does your experience with 1270 wells tell you about the range of results you might expect to the west in this red area?

A. Well, again, I spoke to the average, based on this data and to my knowledge, I'd say an average well is going to be in the ballpark of that 430 to...that was the absolute number, but in that half of bcf of well range. But

you can see the absolute values could change anywhere...I mean, you could have wells individually do as much as almost 2 bcf of gas and as low as a 100 million across the field. That's based on quite a bit of data.

Q. So, there is a variability?

A. Sure there is.

Q. And has it been your experience that the variability can be pretty traumatic from one 80 acre unit, which to the next? So, in two units which touch, what is your experience with regard to variability?

A. It can be very traumatic at times.

MARK SWARTZ: I don't know if that helps with your question.

BILL HARRIS: Yes, it does. Well, yeah. It confirms that there is a certain amount of risk, of course.

BRUCE PRATHER: I've got a couple of questions.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: What is the time interval involved across where you have a better production? What would be the time involved in that?

RICK TOOTHMAN: Well, what you actually see reflected on this graph is what has already produced plus the forecast of what you'll continue to produce over the economic life of the well. So, that encompasses everything

that you think that you're going to get from that well.

BRUCE PRATHER: And then this part where you have the good production, would that involve six years or five years or four years on an average or could you do that?

RICK TOOTHMAN: Can you get it in six years?

BRUCE PRATHER: Yeah.

RICK TOOTHMAN: No, sir, you can't.

BRUCE PRATHER: Okay.

RICK TOOTHMAN: Now, we do have...we do have some wells, in fact, that are on this graph that have already produced a bcf in probably ten to twelve years and they're probably going to be represented on this graph that that 1.8 or 1.6 bcf range, meaning that's what they'll...because there's another 600 million that that well will continue to produce. But in a period of, you know, just over ten years they have already done a bcf of gas and you will get those wells. It, however, is not the average well in this field.

BRUCE PRATHER: Is it the variation of the permeability in the formation?

RICK TOOTHMAN: Yes, sir, there are many things, but that's correct. That's one of the biggest things.

BRUCE PRATHER: Okay.

BENNY WAMPLER: Going back to the question that I asked you earlier. When your model is updated based on the

current data and projecting forward when you're putting the second well in, is it consistently showing additional production over time?

RICK TOOTHMAN: I'm not sure I understand the question.

BENNY WAMPLER: Your graph showed that when you put a second well in it increases production of both wells, is that correct?

RICK TOOTHMAN: Well, when you put the...not exactly. The well...the second well that you drill...now, part of that is going to be a function of when you drill those wells. If you drill them immediately or if you put the second well in sometime afterwards it will effect the model, okay? In other words, if I would...if I would drill two wells in an undrilled unit today, in both wells you might get a slightly different response. You'd just promote that interference sooner. If you've already got a well that's on---.

BENNY WAMPLER: Which is the case here?

RICK TOOTHMAN: Which is the case there and we're coming back and infilling them---.

BENNY WAMPLER: Right.

RICK TOOTHMAN: ---it's my belief that you will

see a...as this second well starts to...starts to move out and you get basically those drainage circles to overlap, that you'll get a positive impact on that initial well and you'll probably see an improvement in production.

BENNY WAMPLER: Over time?

RICK TOOTHMAN: Over time. Now, it's not going to---.

BENNY WAMPLER: Not cumulative---?

RICK TOOTHMAN: No, it will go up and then it will start to decline again. You'll just see that... you'll see that pushed up.

BENNY WAMPLER: I guess, what I was trying to get a fix on is, does your model show that twenty-five years out that it starts to drop or ten years or---?

RICK TOOTHMAN: Oh, no. It will drop...it will drop sooner than that.

BENNY WAMPLER: Sooner.

RICK TOOTHMAN: It doesn't go up forever. You'll just, you know...in essence what happens is that...I mean, if we had an infinite amount of time, if you had three hundred years that you we're looking at, one well would drain that reservoir in 300 years---.

BENNY WAMPLER: Okay.

RICK TOOTHMAN: ---because that pressure front,

like I said...I think I've told the Board before. The way that pressure front works is much like throwing a rock out into a pond. You're going to drain...you're going to drain very close to that well and that pressure front and the most of that gas at early time is going to be very near that well or that fracture that you created. With time, it's going to...it's going to move out and you're going to influence a larger and a larger area. What you're actually doing here, part of the economics is that you'll...you'll improve the recovery overall if you...if you fixate on a given time. In our case, we usually look at about a sixty-five year life. We say that's a reasonable economic life for a well. The...so, you'll get two things. You'll get an accelerated recovery. Part of that, you're going to get it quicker. The fact is that over that sixty-five years with that second well, you'll draw down that reservoir pressure to a lower number, which means that you will have recovered, you know, additional gas, incremental gas. Generally, what we say, because of the way the timing works, is that we're looking at about...we're not...the second well probably, if you look at it individually will not recover as much as the first well because it can't make up that...it can't make up that front in production time. But combined, you're looking at about 100 bcf.

BENNY WAMPLER: Other questions from members of the Board?

BILL HARRIS: Well, let me just---.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Can I just follow that just a little bit?

BENNY WAMPLER: Yes, sir.

BILL HARRIS: One of the things we started with is if you drill both at the same time. Is there...have you all explored that at all if you just go in and drill two to begin...I guess, that's 40---?

RICK TOOTHMAN: We can't because for the most part...I mean, there's very few areas that we can do that because we've already got existing wells on 80s and places that we don't, we don't have Board approval to do the 40 acre well. But with...with confirmation of what we're doing now, the intent will be, yes, sir, we will push those together in areas like over here that we don't have the first well in there. We would plan on trying to do those...because we can take advantage of the infrastructure, timing and everybody working in one area. So, there's other economies at scale for us to do that.

BILL HARRIS: Okay, thank you. I was just curious.



BRUCE PRATHER: I have one more question, please.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Have you run any pressure bombs...down hole pressure bombs on these things to see if they're...on your second well you've got an increased pressure from to what your draw down was individually?

RICK TOOTHMAN: Well, keep in mind that coalbed methane is very different than conventional wells.

BRUCE PRATHER: Oh, yeah.

RICK TOOTHMAN: And with coalbed methane, the intent is to draw down the average pressure because most of the gas is stored at very low pressure.

BRUCE PRATHER: Right.

RICK TOOTHMAN: So, unless you achieve or accomplish those very low pressures, you won't recover the extent of the gas that you need.

BRUCE PRATHER: Yeah. But on your offset well wouldn't your pressure be a little higher since you're out further in a formation where you haven't drained? It should.

RICK TOOTHMAN: Yes. If you drill a second well, that pressure will be higher than the---.

BRUCE PRATHER: Than what your drained well is. Exactly.

RICK TOOTHMAN: That's correct. Now, I'll answer that by saying no, but in an indirect way, we know that even with like well clean outs, usually a new well that you bring on we can circulate water back to the surface when we're cleaning out the sand or something after a frac job. If you try to do that with a well that has been on production for some period of time, the odds are you're going to lose an awful lot of water to the formation and that's simply because you've reduced that bottom hole pressure to where that hydrostatic is greater than what you have in the formation and you lose it. So, we know for a fact that that's the case. The other things that we have...we have cored some wells in areas that we've produced and we've taken a look at the gas contents there and see the variation. You know, most of those were mine driven. I mean, we had some samples prior to drilling and were showing, you know, gas contents in the range of 400 to 600 cubic foot per ton depending on the seams and then when we came back in, for instance, Consol Energy wanted to put a ventilation shaft in and you'll see, you know, significantly less gas in and around that. But a few of those cores, for instance, one core was very close to an existing well. The other well was...the core was say 300 foot away from that well and what you saw was exactly what you would expect.

You know, lower concentrations very near the well and even though it wasn't a virgin out here, but it was still, you know, much less and, again, it confirms that pressure for longer periods.

BRUCE PRATHER: Thank you.

BENNY WAMPLER: Other questions from members of the Board?

MARY QUILLEN: Mr. Chairman, I have---.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---just one quick question. I know we looked at these earlier when you first brought those to us several months ago and we were looking at these. And, obviously, you didn't drill two holes at the same time or two wells at the same time and your graph shows where your second well has come on and your production. This new unit over here, you're saying that you've going to drill more than one well in each one of those. Is this something new or different than you have done before or have you done this in some of these other areas?

RICK TOOTHMAN: What I was trying to convey to Mr. Harris was the fact that we did not have the ability to do that in any of these areas because we already had the first well drilled on 80 acre spacing.

MARY QUILLEN: Right.

RICK TOOTHMAN: We have a production history there and when we came back in, you know, to infill, obviously, there was a delay in time.

MARY QUILLEN: There was something...right.

RICK TOOTHMAN: What we're saying over in this area is that we have some wells out there, but I don't want to testify before the Board and tell you that every single one of these 80 acre units already have a well in them, which means that with approval, we would have the ability instead of waiting five years to drill the infill well, we could do that, you know, at times zero or closer to the initial well.

MARY QUILLEN: Have you done that in any places...in any of these other places?

LESLIE K. ARRINGTON: We're presently doing that.

RICK TOOTHMAN: We're presently doing that.

MARY QUILLEN: You're presently...which one of these?

LESLIE K. ARRINGTON: It's over here...do you see the red area shown on that map?

MARY QUILLEN: On the right.

MARK SWARTZ: On the east.

LESLIE K. ARRINGTON: It will be just in that area basically to the...just to the west of that area. We are

presently drilling. We have completed some wells.

MARY QUILLEN: But you don't have any data...  
not---?

LESLIE K. ARRINGTON: No data.

MARY QUILLEN: ---anything to have any data---?

LESLIE K. ARRINGTON: No.

MARY QUILLEN: ---as to how that might compare to  
what you want to do over here?

LESLIE K. ARRINGTON: Correct. That's correct.

MARY QUILLEN: That's fine. That's good. Thank  
you.

BENNY WAMPLER: Other questions from members of  
the Board?

(No audible response.)

BENNY WAMPLER: Mr. Kindig, you've been very  
patient.

KARL KINDIG: Thank you, Mr. Chairman. Again, my  
name is Karl Kindig. I'm an attorney located here in  
Abingdon. I'm here on behalf of my client, Russell Gamble.  
Mr. Gamble is the owner of the oil and gas on two of the  
units that are the subject to this application, units U-4  
and V-4. Mr. Gamble was the subject to compulsory  
pooling... compulsory pooling of his interest previously and  
has elected, under the procedures, to become a participating

operating in those units.

The reason that I'm here today and the question that I had is if you look at the...at the application, item four says, "Proposed provisions of orders sought." And reading in-part it says, "...and that production/royalties from each coalbed methane well drilled in said unit shall continue to be allocated solely to the owners and claimants of and to the coalbed methane within the unit in which the well is located." The question I have is, how is that applied to someone in my...like my client who has previously been compulsory pooled in a prior well in this unit, is it the intent of that language that all of those...well, that my client is locked into the election that he made at the time of the prior well or will he have the opportunity to make an election with respect to these wells?

BENNY WAMPLER: Do you want to explain the application language?

LESLIE K. ARRINGTON: What we'll do in any case where we've already pooled the unit, if we propose a second well within that unit, we'll have to come back before the Board. He will...any person that we have previously pooled will get that option on the second well.

KARL KINDIG: And that's what you understand that language to mean or---?

LESLIE K. ARRINGTON: Uh-huh.

MARK SWARTZ: Well, this language doesn't have anything to do with that.

LESLIE K. ARRINGTON: Right. On the royalty issue.

MARK SWARTZ: All right. This language of paragraph four simply says that we're going to have two wells in one unit and we're going to continue to allocate production from those wells under the Oakwood allocation formula. That's all that says. Oakwood says that if you've got a well in a unit, the people in that unit get the production or get the benefit of the royalty. That's all this paragraph four means.

KARL KINDIG: Well, I guess, my question is then where...where does it say in the application that you're going to give the previously pooled owners an opportunity to make a second election.

MARK SWARTZ: Well, if we filed a pooling application...if we filed an application with the Board to allow us to put a second well in this unit, that would be the moment that that would happen.

KARL KINDIG: So, you're going to through the complete force pooling application?

MARK SWARTZ: We're going to have to modify...

no, we're going to...well, we're going to have to repool the unit to put a second well in.

LESLIE K. ARRINGTON: Right.

BENNY WAMPLER: Each unit where there is a well.

MARK SWARTZ: I mean, I'm taking you at your word that we've already pooled the two units that your client is in. So, my answer is---.

KARL KINDIG: Right.

MARK SWARTZ: ---we would have to come back on both of those. I mean, I don't know off the top of my head what...what we've pooled and what we haven't pooled.

LESLIE K. ARRINGTON: We did. We've pooled...he has been pooled.

MARK SWARTZ: Okay.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: So, the reason for the repooling would be strictly to allow anyone who has been pooled additional elections because you're not going to change the pooling itself? The unit...the unit is what has been pooled.

MARK SWARTZ: Well, the problem is, you know, and we'll address that when we come back. But if you've got a unit in which somebody has participated, I mean, let's stay



with that, okay, which is your client's situation---.

KARL KINDIG: That's correct.

MARK SWARTZ: ---and you propose a second well and you've got somebody in that unit with a track record of participation, I think you've got to come back to give them an opportunity to participate. If you've got a unit in which nobody participated and everybody took a pass, I'm not sure you get the same answer. But I sort of feel like if you're in for a nickel, you're in for...you're potentially in for a dime. I don't know that we've answered that question in front of this Board. But, you know, in this situation your guy has participated and I would think we have to come back.

LESLIE K. ARRINGTON: It can't be a free ride.

MARK SWARTZ: I understand.

BENNY WAMPLER: Well, I can tell you that from the interpretation that I have of this is that at anytime you change, and that's what you're doing here, you'll come back to the Board for each unit. Now, you may not change, you know, the parties or what have you and have to do that. But as far as giving them a second bite at the apple so to speak, to use your term, they get that.

MARK SWARTZ: I understand your position and I think we have honored that in practice.

KARL KINDIG: Just so that I'm clear, your view is that if someone like my client has elected to become a participating operator that he will get a second election whether to become a participating operator or elect a royalty interest or non participating interest with that second well in the unit, but that individuals who did not elect to be participating operators would be locked into the election they made at the time of the initial---?

BENNY WAMPLER: I mean, that differs from what I just said.

KARL KINDIG: Yeah, that's...well, I was just trying to---.

BENNY WAMPLER: My opinion is and, you know, it has yet to be tested in Court and I understand that it could, but I, you know...I'm just saying as chairman of the Board, I'm giving you just my opinion on this, they would have to come back here and anybody would have a second opportunity to decide.

KARL KINDIG: Okay. Well, that...that resolves the issue.

MARK SWARTZ: And the reason we've...that Mr. Wampler and I are having this discussion is because it has never happened, so we don't have a winner on that issue yet, right?

BENNY WAMPLER: That's correct.

MARK SWARTZ: That's his position. It has been his position for years and we understand it. But it has never happened.

BENNY WAMPLER: Right.

MARK SWARTZ: So, we've never really had to look further for an answer. It's a theoretical question. Your question, with regard to your client, to me we've always been in agreement on that one that if you've got somebody who participated, they're going to be offered...just like in a joint operator agreement, they're going to be offered an opportunity to participate in further development.

MARY QUILLEN: I have just...Mr. Chairman, I have just one question for Mr. Kindig.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: You did say that your client participates in U and V-4.

KARL KINDIG: That's correct.

MARY QUILLEN: Okay. That clarifies it.

RICK TOOTHMAN: This probably isn't the time, but I do want to make one thing clear is, and I guess I'll go back, there are two ways to look at it. But the very first time that you drill the well there is certain risks around that well. The second go around there are several things

that are dynamic. One is, obviously, there's a lot of production data out there that somebody has the benefit of taking a look at that to make an election, which reduces the risk significantly. The other thing is is the way most of this field has been developed. The first person or the first wells carry in the infrastructure, the power, the pipeline, the roads and so forth of the first well, which is a heavier financial burden than the second well generally is because that infrastructure is in place. Now, you're looking at a pipeline tie of maybe several hundred feet versus thousands of feet, pipeline roads and so forth where all you got to do is make a wide spot in an existing road. So, just keep that when this issue comes up, it's not quite as simple as saying that well costs are divided into and so forth. It is a---.

RICK TOOTHMAN: Well, I mean, you have an opportunity to present DWEs that reflect your actual, you know, projected costs.

BILL HARRIS: But you're speaking to fairness of---.

RICK TOOTHMAN: I'm just---.

BILL HARRIS: --- (inaudible) oh, this worked before, so it's more likely it's going to work again.

MARK SWARTZ: Well, I think the cost issue though

from Mr. Kindig's client's standpoint is it's the same situation that we've got. You know, it cost him a 100% to participate in the first well and maybe it only cost him 80% of what he spent the first time around to be in the second well and he has, in effect, subsidized people who are trying to jump on the train in second well which is---.

RICK TOOTHMAN: It may delude his interest if somebody else didn't participate in the first well, not even Consol Energy's because now they've got three or four years of production data and he helped subsidized the costs of the infrastructure up front. That's my point. We can---.

KARL KINDIG: I'm not sure how it would delude his interest since his interest is limited to the property ownership that he controls in this unit and no one else could trespass on that particular property ownership interest. So, of all of the things that I'm concerned about, that's probably not one of them. But it struck me when I got this petition and, unfortunately, I only got it from my client recently, that this issue, at least as it affects him...I mean, I know CNX never drills a well that doesn't turn out well. But if---.

MARK SWARTZ: Well, we could...we could argue that point with this chart.

(Laughs.)

KARL KINDIG: But were that to be the unlikely case, then he might want to change his election to be a royalty participant rather than a direct participant in the well. I just wanted to...that language troubled me and I don't know whether you want to take a look at that and maybe clarify that language to reflect that prior compulsory pooled persons in those units will be afforded an opportunity to make a subsequent election subsequently.

BOB WILSON: Mr. Chairman, as the---

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: ---person who gets the phone calls with all of these questions, I think that probably the Board needs to establish at least a tentative policy on this sort of thing so that...because the question continues to come up. If, in fact, when increased density drilling is approved, there is along with that an understanding that any non- voluntary unit will come back before the Board for repooling and they'll be second opportunities for elections. Then I think we probably need to include that in the order that goes out with these poolings. If it's going to be selective that only those who have participated before get the second shot or however it's put together, I do think we need to develop some sort of a standard start---

DONNIE RATLIFF: Mr. Chairman.

BENNY WAMPLER: Mr. Ratliff.

DONNIE RATLIFF: I think that's an excellent idea and I look forward to see what Mr. Wilson presents us with.

(Laughs.)

MARK SWARTZ: And along those lines, I think the Oakwood order answers the question. I mean, we can't put a second well in a unit unless it's defended by a mine plan. So, we can't...if we've got a force pooled unit and we don't have a mine plan that we're filing with you to support increased density, we have to come back to the Board. So, I mean, it's not...I mean, it's already in the Oakwood rules.

BOB WILSON: We have to come back for this...for the allowance to drill that second well.

MARK SWARTZ: No. We have to come back on the pooling. If we've got a pooled unit under the Oakwood rules, we can't put more than one well in that unit. That's why we come back on pooled units. I mean, we've already got a...you know, the field rules say that.

BOB WILSON: So, the modification of the field rule, you're saying, does not override that requirement of only one well to the unit?

MARK SWARTZ: Well, when you pooled it you told us we could drill one well. That's the problem. We've got an order that didn't allow us to put a second well in there.

We've got to come back because the Oakwood rules only allow you to issue...at least in the beginning of that order. I mean, so I feel like your concern is totally legitimate, but I think the existing Oakwood rules answers the question.

KARL KINDIG: But I think Mr. Swartz makes a good point. If you look at the statute, the pooling order is really specific to a well and not a unit. So, that any further pooling, even within a previously pooled unit for an additional well, I think would still be subject to the statutory requirements of notice and election.

BOB WILSON: Mr. Chairman, I'd somewhat disagree with that statement because the pooling, I think, is specific to the unit. You can pool the unit and not even have a well in it.

KARL KINDIG: Well---.

BOB WILSON: And the...all of the production that comes out of that unit is subject to that pooling order. Now, whether the approval of increased density drilling overrides the specific language of an individual pooling order requiring one well, I...I don't know.

KARL KINDIG: I don't want to take the Board's time in what may be an interesting academic debate, but---.

MARK SWARTZ: I'm just talking about the number of wells. That's all I'm talking about.



KARL KINDIG: ---the statute says, "All pooling orders entered by the Board pursuant to the provisions of this section, shall authorize the drilling and operation of a well."

BENNY WAMPLER: I think that supports my---.

(Laughs.)

BENNY WAMPLER: ---point on that.

KARL KINDIG: That's why I'm here, Mr. Chairman.

BENNY WAMPLER: If that would help Mr. Wilson, I'll just go ahead and say that, you know, we'll receive a motion from a member of the Board, if you would like to make it, that we would put on record what I just stated a minute ago, that any additional well proposed in a...in a unit would require a complete election...new election option. Is there a Board member willing to make that motion?

MARY QUILLEN: So moved.

BENNY WAMPLER: Motion. Is there a second?

BILL HARRIS: Second.

PEGGY BARBAR: Second.

DONNIE RATLIFF: Second.

BENNY WAMPLER: Any further discussion?

JERRY GRANT: Mr. Chairman, may I make a comment on this petition?

BENNY WAMPLER: Tell us who you are.

JERRY GRANT: Yes, sir. I'm Jerry Grant. I'm with Pine Mountain Oil and Gas.

BENNY WAMPLER: We've got to get you sworn.

(Jerry Grant is duly sworn.)

JERRY GRANT: Pine Mountain Oil and Gas owns some of the acreage in the western portion of this petitioned area and we're supportive of this petition to allow for a second well in an 80 acre unit in the Oakwood Field. However, Pine Mountain would like to ensure that this petition is approved for any operator to come in and drill a second well within this petitioned area and not just CNX.

MARK SWARTZ: That's how it works.

LESLIE K. ARRINGTON: It's not...it's not operator specific.

JERRY GRANT: It's not operator specific?

MARK SWARTZ: No.

JERRY GRANT: Okay.

BENNY WAMPLER: Does that answer your question?

JERRY GRANT: Yes. Thank you.

BENNY WAMPLER: I mean, if it's approved it's for that area---.

JERRY GRANT: Okay.

BENNY WAMPLER: ---for whoever.

JERRY GRANT: Very good. Thank you.

SHARON PIGEON: By application.

BENNY WAMPLER: By application, right. Mr. Ratliff.

DONNIE RATLIFF: On the motion, Mr. Toothman makes an excellent point in the infrastructure. Should there not be some type of allocation to share in that cost and be reflected in the application?

BENNY WAMPLER: Well, when they come forward with the application for the second well, they can come forward with the DWE, which would reflect the---

RICK TOOTHMAN: That proportion---

BENNY WAMPLER: ---that portion of---

DONNIE RATLIFF: ---costs of his share.

RICK TOOTHMAN: Right.

MARK SWARTZ: And, basically, the prior participant would get a refund if somebody else participates, I mean, is the point of that.

BOB WILSON: You're getting into a bookkeeping thing that I certainly don't think the Board wants to be involved in here because when you start trying to recoup original costs and passing it on to subsequent participants, I think you're creating somewhat of a nightmarish situation there. In my opinion, the operator has to take some risks in this thing as well. The pooling statute allows the

operator to go ahead and continue with his development to develop the gas and if, in fact...now, this was not anticipated, obviously, when the Board laid down putting the second well in each unit. It seems to me that part of the risks the operators taking is that, yeah, he has given a free look to a potential participant. He has spent infrastructure money that it's not going to recoup with that second well and he is risking the possibility that Mr. Kindig's client is going to come back in and say, boy, that other well again looks really good and they've already paid for the compressors and the pipelines and everything and I want to participate. But I think that's part of the risk that the operator is going to have to shoulder on that regardless who it happens to be. You were asking for opinions.

MARK SWARTZ: The reason we raised that issue is not really what for the purpose you've described. The reason we raised that issue, if you give people who took a pass on the first election an opportunity to participate in the next well at a discount, is there a fairness issue? That's all that Rick raised. That's all I'm raising. I think what Mr. Wampler is saying is that might be an issue the Board wants to look at in the future. If you don't give people who took a pass on participation an opportunity to

participate at a discount and you only offer the further opportunity to develop the unit to people who have already paid the freight, there's no reason to look at any of that because they're in and they got in at the real number. I mean, that's...that's the point, I guess.

BRUCE PRATHER: Mr. Chairman, may I ask a question?

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Would the book value of your pipeline and everything at that time come into whatever you would charge these people?

MARK SWARTZ: It's not a well cost.

BRUCE PRATHER: Okay.

MARK SWARTZ: The gathering and compression facilities are completely separate. We can't allocate---

BRUCE PRATHER: You don't have a book value on what those are---

MARK SWARTZ: Not in terms of when people participate. You'll notice...if you look at the way people book their well costs, we really don't put anything in the compression or gathering or treating in our wells because we want to be able to move it around. We don't want people to own it. Some of the companies that come here actually have that kind of infrastructure in their well costs and they

would. But, in general, we don't...there's no gathering and compression arguable component in our well costs.

BRUCE PRATHER: Okay.

MARK SWARTZ: So, we don't...that's not a number that's on the table.

BRUCE PRATHER: Okay.

BENNY WAMPLER: Okay, we have a motion and a second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. That will be in all orders for additional wells. Do you have anything further, Mr. Swartz, for this application?

MARK SWARTZ: No, I don't.

BENNY WAMPLER: Any other questions regarding this application from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

BILL HARRIS: I move for approval.

BENNY WAMPLER: I have a motion for approval.

MARY QUILLEN: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying  
yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

MARK SWARTZ: Thank you.

BENNY WAMPLER: Next is a petition from Equitable  
Production Company for a well location exception for  
proposed well V-502322, docket number VGOB-06-1219-1830.  
We'd ask the parties that wish to address the Board in this  
matter to come forward at this time.

(Board members confer.)

BENNY WAMPLER: They want to take five minutes.

JIM KAISER: That's fine.

(Break.)

BENNY WAMPLER: Okay. We're back on the record.  
The record will show no others. You may proceed.

JIM KAISER: Mr. Chairman and members of the  
Board, Jim Kaiser and Don Hall on behalf of Equitable  
Production Company. I'd ask that Mr. Hall be sworn at this

time.

(Don Hall is duly sworn.)

DON HALL

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Now, Mr. Hall, if you would state your name for the record, who you're employed by and in what capacity?

A. My name is Don Hall. I'm employed by Equitable Production Company as district landman.

Q. And do your responsibilities include the land involved here and in the surrounding area?

A. They do.

Q. Are you familiar with the application that we filed seeking a location exception for this well?

A. Yes.

Q. Have all interested parties been notified as required by Section 4(B) of the Virginia Gas and Oil Board Regulations?

A. They have.

Q. Would you please indicate for the Board the ownership of the oil and gas underlying the unit for well



number V-502322?

A. Equitable has a 100% of the oil and gas leased.

Q. Okay. And we're seeking a location exception. Does Equitable have the right to operator the reciprocal wells?

A. We do.

Q. I guess, in this case, it's just well, isn't it?

A. Yeah, it's just one well.

Q. Just a well. And are there any correlative rights issues?

A. No.

Q. All right. Now, this is a rare occasion on a location exception where we have not prepared an exhibit for the Board. Can you explain for the Board why we're seeking this particular exception?

A. This location is on U.S. Forest Service surface and it...as part of drilling wells on that, we have an environmental impact statement that requires us to locate these wells in such a manner as not to impact the Forest property as little as possible. In this particular case, this is where the Forest Service people have indicated they want us to put the well.

Q. Okay. So, we're just complying with the EIS?

A. Yes, complying with the EIS.

Q. In the event...in the event this location exception were not granted, would you project the estimated loss of reserves?

A. 300 million cubic feet.

Q. And what's the total depth of this proposed well?

A. 5,527 feet.

Q. Are you requesting the location exception cover conventional reserves to include the designated formations as stated in the application from the surface to the total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for V-502322?

A. It would.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Any questions from members of the

Board?

(No audible response.)

BENNY WAMPLER: Would you repeat the reserve estimate?

DON HALL: 300 million cubic feet.

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask the application be approved as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes, but Bruce Prather.)

BENNY WAMPLER: Opposed, say no.

BRUCE PRATHER: I abstain.

BENNY WAMPLER: On abstention, Mr. Prather.

Next is a petition from Equitable Production Company for a well location exception for proposed well V-536734. This is docket number VGOB-06-1219-1831. We'd ask the parties that wish to address the Board in this matter to come forward at

this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on behalf of Equitable.

(Don Hall passes out an exhibit.)

BENNY WAMPLER: The record will show no others. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, do your responsibilities include the land involved in this unit and the surrounding area?

A. They do.

Q. Are you familiar with the application that we filed seeking a location exception for well V-536734?

A. Yes.

Q. Have all interested parties been notified as required by Section 4(B) of the Virginia Gas and Oil Board Regulations?

A. Yes.

Q. Could you indicate for the Board the ownership of the oil and gas rights underlying this unit?

A. We have a 100% leased.

Q. Okay. Does Equitable have the right to

operate the reciprocal wells?

A. We do.

Q. Any correlative rights issues?

A. No.

Q. Okay. Now, you did pass out a Board...an exhibit to the Board for this particular hearing. Utilizing that, could you explain to the Board why we're seeking this location exception?

A. The subjected well is highlighted in red or pink and the two reciprocal wells are to the north and northwest of that particular well. As you see on the exhibit, there is a number of circles around the various wells there. Those circles indicate a 2500 foot distance from each of those wells. In making these circles, the only place that we could legally put 6734 would be in the area that's highlighted in orange, which is a very small area there that's on a steep hillside. That's not a suitable place for a location. If we came any further south, we'd be encroaching on the other wells or to the...any further to the west we'd be encroaching further on 6101. So, in effect, the location is on top of a ridge there and it's the best place we could put it from the standpoint of erosion and sediment control and safety issues. Again, the only legal spot that we can put it would be in the area that's

highlighted in the orange.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Yes.

Q. Mr. Hall, in the event the location exception were not granted, would you project the estimated loss of reserves?

A. 450 million cubic feet.

Q. And the total depth of the proposed well?

A. 5863 feet.

Q. And are you requesting that this location exception cover conventional gas reserves to include the designated formations as listed in the application from the surface to total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this application be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for V-536734?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Anything further?

JIM KAISER: We'd ask that the application be approved as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. You have approval. Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-537257. This is docket number VGOB-06-1219-1832. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and

Don Hall on behalf of Equitable Production Company.

BENNY WAMPLER: The record will show no others.

You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, are you familiar with our application seeking a pooling order to pool any unleased interest in the unit for EPC well VC-537257, which was dated November the 17th, 2006?

A. Yes.

Q. Now, does Equitable own drilling rights in the unit here?

A. We do.

Q. Prior to the filing of the application, were efforts made to contact each of the respondents having an interest and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. What is the interest of Equitable that's under lease in the gas estate within the unit?

A. We have 90.51% of the gas estate leased.

Q. And the interest under lease in the coal



estate within the unit?

A. Also, 90.51%.

Q. All right. And are all unleased parties set out in Exhibit B-3?

A. They are.

Q. Okay. So, that would leave us then with an unleased percentage of both the gas estate and the coal estate of 9.49%, is that correct?

A. That's correct.

Q. Okay. We don't have any unknown or unlocateable interest owners?

A. No.

Q. Okay. And are the addresses set out in Exhibit B to the application the last known addresses for the respondents, to the best of your knowledge?

A. They are.

Q. Are you requesting this Board to force pool all unleased interest listed at Exhibit B-3?

A. Yes.

Q. Now, are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes.

Q. Could you advise the Board as to what those

are?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

Q. In your opinion, do the terms you've testified to represent the fair market value of and the reasonable compensation to be paid for drilling rights within this unit?

A. They do.

Q. Now, as to those respondents, that being Teresa Sholtz who is the fee mineral owner on Tract 3 in this unit, as to her interest which remains unleased, do you agree that she be allowed the following statutory options: 1) Participation; 2) a cash bonus of five dollars per net mineral acre plus a one-eighth of eight-eighths royalty; or 3) in lieu of a cash bonus and one-eighth of eight-eighths royalty share in the operation of the well on a carried basis as a carried operator under the following conditions: Such carried operator shall be entitled to the share of production from the tracts pooled accruing to his/her interest exclusive of any royalty or overriding royalty reserved in any leases, assignments thereof or agreements relating thereto of such tracts, but only after the proceeds applicable to his or her interest equal, A) 300% of the share of such costs applicable to the interest of the

carried operator of a leased tract or portion thereof; or B) 200% of the share of such costs applicable to the interest of a carried operator of an unleased tract or portion thereof?

A. Yes.

Q. Do you recommend that the order provide that all elections by the respondents be in writing and sent to the applicant at Equitable Production Company, 1710 Pennsylvania Avenue, P. O. Box 2347, Charleston, West Virginia 25302, Attention: Nicole Atkinson, Regulatory?

A. Yes.

Q. Should this be the address for all communications with the applicant concerning any force pooling order?

A. It should.

Q. Do you recommend that the order provide that if no written election is properly made by a respondent, then such respondent should be deemed to have elected the cash option in lieu of any participation?

A. Yes.

Q. Should the unleased respondents be given 30 days from the date that they receive the recorded Board order to file their election?

A. Yes.

Q. If an unleased respondent elects to participate, should they be given 45 days to pay the applicant for their...for that respondents proportionate share of actual well costs?

A. Yes.

Q. Does the applicant expect the party electing to participate to pay in advance that party's share of actual completed well costs?

A. We do.

Q. Should the applicant be allowed a 120 days following the recordation date of the Board order and thereafter annually on that date until production is achieved, to pay or tender any cash bonus or delay rental becoming due under the force pooling order?

A. Yes.

Q. Do you recommend that the order provide that if a respondent elects to participate but fails to pay their proportionate share of well costs, then that respondent's election to participate should be treated as having been withdrawn and void and such respondent should just as if no initial election had been filed under the force pooling order, in other words, deemed to have leased?

A. Yes.

Q. Do you recommend that the order provide

that where a respondent elects to participate but defaults in regard to the payment of well costs, any cash sum becoming payable to that respondent be paid within 60 days after the last date on which that respondent could have paid those well costs?

A. Yes.

Q. Okay. In this particularly case, we don't have any unknowns and even though it's a coalbed methane well, there are fee mineral tracts, and there's no conflicting claim. So, the Board does not need to establish an escrow account, correct?

A. That's correct.

A. And who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. And what is the total depth of the proposed well?

A. It's 2390 feet.

Q. And the estimated reserves of the unit?

A. 250 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. It has.

Q. In your opinion, does it represent a

reasonable estimate of the well costs?

A. Yes.

Q. Could you state both the dry hole costs and completed well costs?

A. The dry hole costs is \$104,377 and the completed well costs is \$289,783.

Q. Do these costs anticipate a multiple completion?

A. They do.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be

approved as submitted.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-537256. This is docket number VGOB-06-1219-1833. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on behalf of Equitable. We're pooling Mr. Teresa Sholtz again. This time it's just Tract 2 instead of Tract 3 and it's a little bit different acreage.

BENNY WAMPLER: The record will show no others. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, are you familiar with the force pooling application that we filed?

A. Yes.

Q. And does Equitable own drilling rights in the unit involved here?

A. We do.

Q. And prior to filing the application were efforts made to contact all of the respondents and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. And what is the interest under lease to Equitable in both the gas estate and coal estate within this unit?

A. We have 89.93% leased.

Q. And all unleased parties, that being Ms. Sholtz are set out at Exhibit B-3?

A. That's correct.

Q. So, the percentage of the gas estate and coal estate in this unit that remains unleased is 10.07%?



A. That's correct.

Q. Okay. Are the addresses set out in Exhibit B to the application the last known addresses for the respondents to the best of your knowledge?

A. Yes.

Q. Are you requesting this Board to force pool all unleased interest listed at Exhibit B-3?

A. We are.

Q. Again, are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes.

Q. Could you advise the Board as to what those are?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

Q. And in your opinion, do the terms you testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. They do.

JIM KAISER: Now, Mr. Chairman, at this time, I'd like to incorporate the testimony taken in item 1832 regarding the statutory election options afforded any of the

unleased parties and their time lines in which to make them and the ramifications thereof.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, again, in this particular unit, we do not need...the Board does not need to establish an escrow account, correct?

A. That's correct.

Q. And who should be named operator under any order?

A. Equitable Production Company.

Q. And the total depth of this well?

A. It's 24...2544 feet.

Q. The estimated reserves?

A. 250 million cubic feet.

Q. The AFE has been reviewed, signed and submitted to the Board as Exhibit C to this application?

A. It has.

Q. In your opinion, does it represent a reasonable estimate of well costs?

A. Yes.

Q. Could you state for the Board both the dry hole costs and completed well costs?

A. The dry hole cost is \$113,342 and the completed well cost is \$256,985.

Q. Do these costs anticipate a multiple completion?

A. They do.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: So, Tract 1 and 3 where Ms. Sholtz...Richard and Teresa are involved that's just surface only, is that correct?

JIM KAISER: Yes.

DON HALL: Tract 3...yes.

BENNY WAMPLER: 1 and 3?

DON HALL: The surface only, yes.

BENNY WAMPLER: 1---.

DON HALL: Well, 1 is actual Victor Breeding. Part of it is Victor Breeding and part of it is Teresa Sholtz and Tract 2 is Ms. Sholtz' surface...or Tract 3 is and Tract 2 is the oil and gas---.

BENNY WAMPLER: It's where she has the oil and---.

DON HALL: Yeah, right.

JIM KAISER: Right.

DON HALL: That's the 10.07.

JIM KAISER: Tract 2 she owns in fee.

BENNY WAMPLER: Right. Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes, but

Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. You have approval. Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-537101. This is docket number VGOB-06-1219-1834. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Excuse me, again, Mr. Chairman, I'm Jim Kaiser and Don Hall on behalf of Equitable Production Company.

BENNY WAMPLER: The records will show no others. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, you're familiar with the application that we filed seeking a pooling order for this well?

A. Yes.

Q. And does Equitable own drilling rights in the unit involved here?

A. We do.

Q. And prior to the filing of the application were efforts made to contact each of the respondents and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. Now, what is the interest under lease to Equitable in the gas estate within this unit?

A. We have 86.23% of the gas estate leased.

Q. And the interest under lease to Equitable in the coal estate?

A. A 100%.

Q. And are all unleased parties set out in Exhibit B-3 to the application?

A. Yes.

Q. So, the interest in the gas estate that remains unleased at this point is 13.77%?

A. That's correct.

Q. And that's represented by the oil and gas estate owner in Tract 2 of the unit?

A. That's correct.

Q. And, if I'm not mistaken, most if not all of those respondents are unknown?

A. Part of them are, yes.

Q. Okay. And were reasonable and diligent

efforts made and sources checked to identify and locate these unknown respondents including primary sources such as deed records, probate records, assessor's records, treasurer's records and secondary sources such as telephone directories, city directories, family and friends?

A. Yes.

Q. In your professional opinion, was due diligence exercised to locate each of the respondents?

A. Yes.

Q. And are the addresses set out in Exhibit B to the application the last known addresses for the respondents, to the best of your knowledge?

A. Yes.

Q. Are you requesting this Board to force pool all unleased interest listed at Exhibit B-3 to the application?

A. Yes.

Q. Again, are you familiar with the fair market value of drilling rights in this unit?

A. Yes.

Q. Could you advise the Board as to what those are?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

Q. In your opinion, do the terms you've just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Again, Mr. Chairman, I'd ask that the statutory election option testimony taken earlier in item 1832 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, in this particular unit, the Board does need to establish an escrow account for any proceeds attributable to Tract 2, is that correct?

A. That's correct.

Q. And who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. And what's the total depth of this well?

A. This well is 2241 feet.

Q. The estimated reserves for the unit?

A. 330 million cubic feet.

Q. And has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. It has.

Q. In your opinion, does it represent a



reasonable estimate of well costs?

A. Yes.

Q. Could you state for the Board the dry hole costs and completed well costs for this well?

A. The dry hole cost is \$134,766 and the completed well cost is \$294,163.

Q. Do these costs anticipate a multiple completion?

A. They do.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd just ask that the application be

approved as submitted, Mr. Chairman.

BENNY WAMPLER: Do I have a motion?

BILL HARRIS: Motion for approval.

MARY QUILLEN: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-537095. This is docket number VGOB-06-1219-1835. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on behalf of Equitable Production Company. We are pooling the exact same folks that we pooled in the previous hearing. It's just a little bit different interest.

DON HALL: That's correct.

BENNY WAMPLER: The record will show no others.

You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. So, Mr. Hall, are you familiar with our application?

A. Yes.

Q. Does Equitable own drilling rights in the unit involved here?

A. We do.

Q. And prior to the filing of the application were efforts made to contact each of the respondents and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. What's the interest under lease to Equitable within the gas estate within the unit?

A. We have 92.39% of the gas estate leased.

Q. And the interest under lease in the coal estate?

A. 100%.

Q. Okay. And all unleased parties are set out in B-3?

A. They are.

Q. So, the percentage of the estate that remains unleased is 7.61%?

A. That's correct.

Q. And, again, all but I think one of the unleased respondents is unknown and we made all reasonable and diligent efforts to try to locate those unknown parties?

A. Actually, there's four...there's only three of the eight.

Q. That are unknown?

A. That are unknown.

Q. Well, that's even better. Did you make all reasonable and diligent efforts to locate those people?

A. Yes. Three of the seven, I'm sorry.

Q. Are the addresses set out in Exhibit B the last known addresses for the respondents, to the best of your knowledge?

A. They are.

Q. Are you requesting this Board to force pool all unleased interest as listed at Exhibit B-3?

A. Yes.

Q. Again, are you familiar with the fair market value of drilling rights?

A. Yes.

Q. And what are those?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

Q. In your opinion, do the terms you've testified to represent the fair market value of the fair and reasonable compensation to be paid for drilling rights within this unit?

A. They do.

JIM KAISER: Mr. Chairman, again, I'd ask that the statutory election option testimony from 1832 be incorporated for purposes of his hearing.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, we do need to establish an escrow account for any proceeds attributable to Tract 2 within the unit, is that correct?

A. That's correct.

Q. And who should be named operator under the force pooling order?

A. Equitable Production Company.

Q. And the total depth for this well?

A. This well is 1768 feet.

Q. The estimated reserves?

A. It's 330 million cubic feet.

Q. And you've reviewed...an AFE has been reviewed, signed and submitted to the Board as Exhibit C?

A. That's correct.

Q. And in your opinion, it represents a reasonable estimate of the well costs?

A. It does.

Q. Could you state for the Board the dry hole costs and completed well costs for this well?

A. The dry hole cost is \$96,999 and the completed well cost would be \$263,040.

Q. Do these costs anticipate a multiple completion?

A. They do.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

BENNY WAMPLER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: You have approval. One abstention, Mr. Ratliff. Next is a petition from Equitable Production Company for creation and pooling of conventional gas unit

V-504910. This is docket number VGOB-06-1219-1836. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, Jim Kaiser and Don Hall, again, on behalf of Equitable Production Company. This is a conventional well. The only unleased interest

being represented are in Tract 3. It's the Nancy Hale Heirs who are unknown and unlocateable.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, again, you're familiar with the application that we filed in this instance seeking to establish a unit and pool any unleased interest in that unit?

A. Yes.

Q. And does Equitable own drilling rights in the unit involved here?

A. We do.

Q. Prior to filing the application efforts were made to contact each of the respondents and an attempt made to work out a voluntary lease agreement?

A. That's correct.

Q. All right. What is the interest of Equitable in the gas estate that's under lease?

A. We have 95.02% leased.

Q. And are all unleased parties set out in Exhibit B-3?

A. Yes.



Q. So, that leaves 4.98% of the unit unleased and that's represented by the unknown Nancy Hale Heirs in Tract 3?

A. That's correct.

Q. Okay. And, again, you made reasonable and diligent efforts to try to figure out who the Nancy Hale Heirs were?

A. Yes.

Q. Okay. Are you requesting this Board to force pool all unleased interest listed at Exhibit B-3?

A. Yes.

Q. And, again, are you familiar with the fair market value of drilling rights?

A. Yes.

Q. Could you advise the Board as to what those are?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

Q. In your opinion, do the terms you've testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. They do.

JIM KAISER: Again, Mr. Chairman, we'd ask that

the statutory election option testimony taken in item 1832 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, we do need to establish an escrow account for the proceeds attributable to Tract 3, is that correct?

A. That's correct.

Q. And who should be named operator under the force pooling order?

A. Equitable Production Company.

Q. The total depth of this proposed well?

A. 5539 feet.

Q. The estimated reserved for the unit?

A. 500 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. It has.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. Yes.

Q. Could you state for the Board both the dry hole costs and completed well costs for this well?

A. The dry hole cost is \$214,111 and the completed well cost is \$401,460.

Q. Do these costs anticipate a multiple completion?

A. They do.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: We have one abstention, Mr. Ratliff. Next is a petition from Equitable Production Company for creation and pooling of conventional gas unit V-520722. This is docket number VGOB-06-1219-1837. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on behalf of Equitable.

BENNY WAMPLER: The record will show no others. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, are you familiar with our application seeking to establish a unit and pool any unleased interest within that unit for this well?

A. Yes.

Q. And does Equitable own drilling rights in the unit here?

A. We do.

Q. Actually, in this particular case, we've got Tracts 2 and 3 unleased. Prior to filing of this application, did your office make efforts to contact those respondents and make an attempt to get a voluntary lease from them?

A. Yes.

Q. What is the interest that's under lease to Equitable in this unit?

A. We have 93.87% leased.

Q. And all unleased parties are set out in Exhibit B-3 to the application?

A. That's correct.

Q. So, at this point in time, 6.13% of the unit remains unleased?

A. That's correct.

Q. Okay. And we don't have any unknown or unlocateables in this unit, correct?

A. That's correct.

Q. Are you requesting this Board to force pool all unleased interest as listed at Exhibit B-3 to the application?

A. Yes.

Q. Again, are you familiar with the fair market value of drilling rights?

A. Yes.

Q. Could you advise the Board as to what those are?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

Q. In your opinion, do the terms you've testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights?

A. They do.

JIM KAISER: Again, Mr. Chairman, I'd ask that the statutory election option testimony taken in docket number 1832 earlier today be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, we do not...this is a conventional unit and we don't have any unknowns. We do not need...the Board does not need to establish an escrow account, correct?

A. That's correct.

Q. And who should be named operator?

A. Equitable Production Company.

Q. The total depth of this proposed well?

A. It's 4615 feet.

Q. The estimated reserves for the unit?

A. 300 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. It has.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. Yes.

Q. And what is the dry hole costs and completed well costs for this well?

A. The dry hole cost is \$202,670 and the completed well cost is \$436,620.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. They would.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we'd ask that the application be approved as submitted.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes, but Bruce Prather.)

BENNY WAMPLER: Opposed, say no.

BRUCE PRATHER: Abstain.

BENNY WAMPLER: One abstention, Mr. Prather. Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-536086. This is docket number VGOB-06-1219-1838. We'd ask the parties that wish to



address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, Jim Kaiser and Don Hall on behalf of Equitable. In this particular unit, we have the oil and gas estate owner in Tract 4 is the Charles W. Grizzle Heirs who are unknown and unlocateable. That's the only unleased interest.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, are you familiar with the application that we filed seeking to pool that unleased interest?

A. Yes.

Q. Does Equitable own drilling rights in the unit involved here?

A. We do.

Q. And prior to the filing of the application were efforts made to contact each of the respondents and an attempt made to work out a voluntary agreement with all of them?

A. Yes.

Q. You guess?

A. Yes.

Q. Oh, yes.

(Laughs.)

Q. I thought you said, "I guess."

BENNY WAMPLER: He was just seeing if you were paying attention.

Q. That's a good one. All right, what's the interest under lease to Equitable within the gas estate within the unit?

A. We have...we have 90.08% leased.

Q. And the interest under lease in the coal estate?

A. A 100%.

Q. And are all unleased parties set out in Exhibit B-3 to the application?

A. They are.

Q. So, the only interest that remains unleased is 9.92% of the gas estate, correct?

A. Yes, that's correct.

Q. And we do have...the unleased portion of the gas estate is an unknown entity. You did make reasonable and diligent efforts to attempt to identify the Charles Grizzle Heirs?

A. Yes, I have been for several years.

Q. Okay. And you're requesting this Board to force pool all unleased interest as listed at Exhibit B-3?

A. Yes.

Q. Okay. And, again, you're familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes.

Q. Could you advise the Board as to what those are?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

JIM KAISER: Mr. Chairman, we'd ask that---.

Q. In your opinion, do those terms that you just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights?

A. They do.

JIM KAISER: Mr. Chairman, we'd ask that the testimony taken earlier this morning from docket number 1832, regarding the statutory election options afforded any unleased parties, be incorporated for purposes of this hearing?

BENNY WAMPLER: That will be incorporated.

(Jim Kaiser confers with Don Hall.)

JIM KAISER: Okay. Regarding the need for the Board to establish an escrow account for this unit, we have a mistake on our Exhibit E. It should list both Tract 2 and Tract 4 as either unknown and/or conflicting claims and I think we just have Tract 4 on there. But we'll send a revised Exhibit E and we'd ask the Board that they establish an escrow account to cover the proceeds attributable to both of those tracts.

Q. Is that correct, Mr. Hall?

A. Yes, that's correct.

Q. Okay. And who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. And the total depth of this well?

A. It's 2183 feet.

Q. The estimated reserves for the unit?

A. 275 million cubic feet.

Q. And has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. It has.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. Yes.

Q. Could you state for the Board both the dry

hole costs and completed well costs for this well?

A. The dry hole cost is \$116,258 and the completed well cost is \$311,956.

Q. And do these costs anticipate a multiple completion?

A. They do.

Q. Does the AFE include...does the AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Yes, thank you. Would you address the location of the well in the plat there? Would you just speak to that?

DON HALL: It's---.

BILL HARRIS: I notice in the upper---.

DON HALL: Because it's outside the interior window, is that what---?

BILL HARRIS: Yes.

DON HALL: Yes, it is. Of course, that's a location exception that's handled through the permitting process.

BILL HARRIS: I was just curious.

DON HALL: That permit has already been approved. It has already been issued.

BILL HARRIS: Okay.

BOB WILSON: Mr. Chairman---.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: ---a question, please. You said Tract 2 should be escrowed as well, did you not? But you're showing that Pine Mountain owns the oil and gas and CBM.

JIM KAISER: Oh, okay. So, we don't need a revised exhibit.

DON HALL: Well, if we need a revised coal exhibit on B then because we have Lambert Land showing as the coal estate owner in Exhibit B.

BOB WILSON: And you're showing the Charles W. Grizzle Heirs, the unknown party as owning oil and gas and CBM. But you're showing them as in conflict on Exhibit E as

well as being the owner.

DON HALL: Well, they have a claim to the CBM.

JIM KAISER: Oh, you're getting this off the plat.

DON HALL: Yeah.

BOB WILSON: Yeah, yeah. This is the way it's represented on the plat...the ownership on the plat.

DON HALL: I guess, they're assuming that he has...when they did the plat they were assuming he has a claim to the CBM.

JIM KAISER: All right, Tract 1 should be fine because that's Loraine Martin on both of them. Tract 2 we've got Pine Mountain...yeah, I think it has to be probably the way it's shown, Pine Mountain on Tract 2 under the coal estate CBM claim too.

DON HALL: Well, either way those parties are leased. I mean, it's...but if...I'm not sure which one is correct, the plat or the exhibits.

BOB WILSON: My objective, of course, is to just get a correct Exhibit E reflecting---.

DON HALL: Right.

BOB WILSON: ---of exactly who needs to be escrowed.

JIM KAISER: We'll do that.

DON HALL: We'll revisit it and---.

JIM KAISER: We'll square up the plat and all exhibits.

SHARON PIGEON: If the plat is incorrect---.

JIM KAISER: We need to revise that too.

DON HALL: Yeah.

BENNY WAMPLER: So, we've got an agreement that you're going to revise whatever exhibit and the plat that may be---?

JIM KAISER: Yeah, I think we're going to end up revising the plat and---.

BENNY WAMPLER: Probably E?

JIM KAISER: ---E, yeah.

DON HALL: Right. Yeah.

BOB WILSON: Actually, I don't think there's any substantive issue because the people who are being pooled are still the same.

JIM KAISER: Right.

DON HALL: Yeah.

JIM KAISER: I think that's what Don was pointing out.

BENNY WAMPLER: I'm just getting the application correct.

DON HALL: Yeah, the parties that we have---.

JIM KAISER: It looks like we've depicted the



interest on the plat differently than we normally do.

DON HALL: Yeah.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, I'd ask that the application be approved as submitted with the stipulation that we file a...subsequently file a corrected plat and Exhibit E.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval with the indicated corrections.

PEGGY BARBAR: I second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-536433. This is docket number VGOB-06-1219-1839. We'd ask that the parties that wish to

address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, Jim Kaiser and Don Hall, again, on behalf of Equitable.

BENNY WAMPLER: The record will show no others. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, you're familiar here with the application that we filed seeking to pool any unleased interest in this unit?

A. Yes.

Q. And does Equitable own drilling rights in the unit involved here?

A. We do.

Q. Now, prior to the filing of the application were efforts made to contact each of the respondents and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. And what percentage of the gas estate is under lease to Equitable?

A. We have 57.825% of the gas estate leased.

Q. And what percentage of the coal estate is under lease?

A. A 100%.

Q. And are all unleased parties set out in B-3?

A. They are.

Q. So, the percentage of the gas estate that remains unleased is 42.175?

A. That's correct.

Q. We do have some unknown entities in this...respondents in this particular unit.

A. Yes.

Q. It would it be your testimony that reasonable and diligent efforts were made to attempt to find them?

A. Yes.

Q. Okay. Are we requesting this Board to force pool all unleased interest as listed at Exhibit B-3 to the application?

A. Yes.

Q. Are you familiar with the fair market value of drilling rights in this unit?

A. I am.

Q. Could you advise the board as to what those

are?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

Q. In your opinion, do the terms you've just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Okay. Mr. Chairman, we'd, again, ask that the statutory election testimony previously taken in docket number 1832 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Okay. Mr. Hall, in this particular case we have not only conflicting claims but unknowns. So, the Board needs to establish an escrow account that will take into account Tracts 3, 5 and 6?

A. That's correct.

Q. Okay. And who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. And what's the total depth of this proposed well?

A. 2480 feet.

Q. The estimated reserves for the unit?

A. 300 million cubic feet.

Q. Now, has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. Yes.

Q. Could you state for them both the...in your opinion, does it represent a reasonable estimate of the well costs?

A. Yes.

Q. Could you state for them both the dry hole costs and completed well costs for this well?

A. The dry hole cost is \$123,568 and the completed well cost is \$291,437.

Q. Do these costs anticipate a multiple completion?

A. They do.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: What did you say your estimated production...what did you say?

JIM KAISER: 300 million.

DON HALL: 300 million.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, I'd ask that this application be approved as submitted.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff.

Next is a petition from Equitable Production Company for a repooling of conventional gas unit V-537302. This is docket

number VGOB-06-0919-1719-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, Jim Kaiser and Don Hall, again, on behalf of Equitable Production. We pooled this well back in September and I think we can probably ask that most of that testimony be incorporated for purposes of this hearing and then we'll let Mr. Hall talk about how the...and why the percentages have changed or do you want to go back through it?

BENNY WAMPLER: I think we'd better do it---.

JIM KAISER: Okay.

BENNY WAMPLER: ---because we've got substantial new Board members.

JIM KAISER: Okay. That's fine.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, you're familiar with the application that we filed seeking to establish a drilling unit and repool any unleased interest for EPC well V-537302 dated November the 17th, 2006?

A. Yes.

Q. And does Equitable own drilling rights in the unit involved here?

A. We do.

Q. Now, prior to the filing of the application were efforts made and an attempt made to reach a voluntary lease agreement with all of the respondents?

A. Yes.

Q. Okay. What is the percentage of the unit that's under lease to Equitable at this time?

A. We have 77.46% of the unit leased.

Q. Which leaves 22.54% unleased?

A. That's correct.

Q. And could you explain for the Board why we're back here repooling this unit?

A. Again, we force pooled this in September and then subsequent title examinations have shown that the tracts that we had within the units are configured or located a little differently than they were in the beginning. That changes the percentage of ownership in those tracts. Since that did change the percentage, that's the reason we're back here for the repooling.

Q. So, it's still all owned by either Pine Mountain or the unknown Joseph Kiser Heirs, but the percentages are just different?



A. That's correct.

Q. Okay.

BENNY WAMPLER: Did that result from a survey or what? What caused that?

DON HALL: Title examinations and plotting these and discrepancies within our original map and what ended up with the title examination.

Q. And are all the unleased parties listed at Exhibit B-3 to the application?

A. They are.

Q. And were reasonable and diligent efforts made to locate the Joseph Kiser Heirs?

A. Yes.

Q. Are you requesting the Board to force pool all unleased interest listed at Exhibit B-3?

A. Yes.

Q. Are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes.

Q. Could you advise the Board as to what those are?

A. We pay a five dollar bonus on a five year with a one-eighth royalty.

Q. In your opinion, do the terms that you've just testified to represent the fair market value of and fair and reasonable compensation to be paid for drilling rights within this unit?

A. They do.

JIM KAISER: Mr. Chairman, we'd ask that the statutory election option testimony be incorporated from docket number 1832.

BENNY WAMPLER: That will be incorporated.

Q. Okay, Mr. Hall, in this particular case, we have unknown respondents in Tracts 1 and 4. So, the Board needs to establish an escrow account to account for that?

A. That's correct.

Q. And who should be named operator under any pooling order?

A. Equitable Production Company.

Q. And what's the total depth for this well?

A. It's 6611 feet.

Q. And the estimated reserves for the unit?

A. 200 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board?

A. It has.

Q. And, in your opinion, does it represent a

reasonable estimate of the well costs?

A. Yes.

Q. Could you state for the Board both the dry hole costs and the completed well costs for this well?

A. The dry hole cost is \$289,318 and the completed well cost is \$511,082.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. It does.

Q. In your professional opinion, would the granting of this application be in the best interests of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be

approved as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. You have approval.

DON HALL: Thank you all.

BENNY WAMPLER: Thank you and Merry Christmas.

DON HALL: Merry Christmas to you'uns.

BENNY WAMPLER: Next is a petition from Chesapeake Appalachia, LLC for repooling of conventional gas unit 824610. This is docket number VGOB-06-0516-1640-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, in this case, it will be Jim Kaiser, Dennis Baker and Stan Shaw on behalf of

Chesapeake Appalachia. I've got an AFE that I want to pass out before we get started.

(Jim Kaiser passes out a new AFE.)

BENNY WAMPLER: Okay, the record will show there are no others.

(Jim Kaiser and Dennis Baker confer.)

(Dennis Baker and Stan Shaw are duly sworn.)

BENNY WAMPLER: Before you start for you GeoMet guys, we're going to take...we're going to break for lunch right after this. So, if you want to go and get a head start, we'll---.

TOM MULLINS: What time will you be reconvening?

BENNY WAMPLER: Probably about...depending on how this goes, say a forty-five minute lunch plus whatever we do here. Right at an hour.

TOM MULLINS: 1:00 o'clock?

JIM KAISER: At 1:00 o'clock.

BENNY WAMPLER: Yeah. The record will show no others. You may proceed.

DENNIS BAKER

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, we'll start with you. We've pooled this well, I guess, back in May of this year, is that correct?

A. That's correct.

Q. And your responsibilities include the land involved here and in the surrounding area?

A. Yes.

Q. And you're familiar with the repooling application that we filed dated November the 17th, 2006?

A. Yes.

Q. And does Chesapeake own drilling rights in the unit involved here?

A. Yes, we do.

Q. Okay. And prior to the filing of the application were efforts made to contact each of the respondents within the unit and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. Before we get into the leased and unleased interest, kind of explain for the Board, particularly for Mr. Prather, the new member, kind of why...what happened and why we're back pooling this again.

A. Okay, on the tract identified as Tract

Number 2, it has a very small portion of the unit or tract that contributes to the unit. We have...we had erroneously omitted some people that...we have eight of ten people leased. So, we had to re-put these people back in on Tract 2 and two of them are unleased. So, we're back to repool because the remaining folks that originally showed in Tract 2 their interest has been reduced slightly.

Q. So, subsequent title work showed additional interest owners within Tract 2 in the unit?

A. Yes.

Q. Okay. So, at this time, what is the interest that's under lease to Chesapeake?

A. The interest presently leased is 98.364116%.

Q. And the percentage of ownership that's unleased?

A. The unleased percentage is 1.635884.

Q. Okay. And are all unleased parties set out at Exhibit B-3 to the application?

A. Yes.

Q. And once again with all of these respondents, you don't have anybody that's unknown, do you?

A. No.

Q. Are you requesting this Board to force pool

all unleased interest listed at Exhibit B-3?

A. Yes, we are.

Q. Are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes.

Q. Could you advise the Board as to what those are?

A. A five dollar per acre consideration, a five year term with a one-eighth royalty.

Q. And, in your opinion, do the terms you've testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, again, I'd ask that if Mr. Baker agrees and you agree that we incorporate the statutory election option testimony taken in hearing 1832.

BENNY WAMPLER: Do you agree to those terms?

A. I agree, yes.

Q. Mr.---?

BENNY WAMPLER: That will be incorporated.

Q. Mr. Baker, in this particular case, the Board does not need to establish an escrow account, correct?



A. That's correct.

Q. And who should be named operator under any force pooling order?

A. Chesapeake Appalachia, LLC.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board of this witness?

(No audible response.)

BENNY WAMPLER: Call your next witness.

STAN SHAW

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, before we get into your standard testimony, why don't we kind of let the Board know the history of this particular well and what's kind of happened since we force pooled it back in May?

A. This well has been drilled and completed and was turned on line November the 30th.

Q. And, actually, I guess it didn't require a modification of the permit because the permit was filed with

the correct depth and formation as the first time. But I think it is...correct me if I'm wrong, but I think it actually ended up being a little deeper than we originally anticipated?

A. That's correct. We originally planned to TD just below the lower Hereon and instead later we decided to drill all the way through the Devonian Shells about another 350 feet.

JIM KAISER: Okay. So, what we've done in this particular instance since we have...what we have, and he can answer any questions you may have on this, but what we've done for our repooling and what I've passed out as an exhibit, was an AFE that on a line item basis actually reflects a lot of actual costs and then where we don't have all the costs in, some estimated costs so that when the unleased parties get their copy of the order in their election letter, which, I guess, really don't apply to this particular case since the only unleased parties we have are unknowns. But if it did apply, they'll have a more accurate estimate of the actual well costs on which to base their decision regarding their election. So, that's...that's what you have that was passed out in front of you earlier. So, that should be a pretty accurate estimate of what the actuals are going to be based upon what's in to date and the

fact that the wells are 5 to 10% deeper, I guess, than what we originally anticipated.

Q. Does that sound right?

A. That's correct.

Q. Do your responsibilities include the land involved here and in surrounding area, right?

A. Yes.

Q. Are you familiar with the proposed... you're familiar with the drilling of this well?

A. I am.

Q. And what's the actual total depth now?

A. 6,145 feet.

Q. Okay. And your estimated reserves?

A. 400 million cubic feet.

Q. And the AFE that we---?

BENNY WAMPLER: Did that change?

MARY QUILLEN: Yes.

JIM KAISER: Yes, sir.

BENNY WAMPLER: Your estimated reserves, did that change?

STAN SHAW: No, they have not changed.

JIM KAISER: Oh, I'm sorry, I thought you meant the depth.

BENNY WAMPLER: That's all right. Go ahead.

Q. Now, an AFE has been reviewed---?

SHARON PIGEON: Wait a minute. We've got a different number here in our application on the---.

BENNY WAMPLER: That's what I was talking about.

JIM KAISER: Yeah, I think the application probably reflects the original depth maybe.

SHARON PIGEON: So, that has changed. Would that be his---?

JIM KAISER: Yes.

STAN SHAW: Yeah, that depth has changed.

JIM KAISER: The depth has? I'm sorry, the depth has changed and the reserves has not.

SHARON PIGEON: Yeah, the depth has changed. Well, he has got a different number. That's what Benny---.

JIM KAISER: For the reserves?

SHARON PIGEON: Yes.

JIM KAISER: Oh, you do?

SHARON PIGEON: You've got 325.

JIM KAISER: So, the depth and the reserves have changed?

STAN SHAW: I don't have a copy of...remember what we had testified to in May, but the reserves should be 400 millions. So, it may have changed.

Q. All right. Let's go back.

(Jim Kaiser confers with Dennis Baker.)

Q. So, let's go back and talk about the depth and the reserves again. What is the actual depth of this particular well?

A. 6,145 feet.

Q. And the application reflects 5,795 feet, so that needs to be corrected?

A. Yes.

Q. So, 6145 is correct. Now, as far as the estimated reserves, both your testimony and the application reflect 400 million cubic feet, is that correct?

A. It should be 400 million cubic feet, yes.

Q. All right. So, the reserves are congruent, it's just the depth that's different.

BENNY WAMPLER: Okay. Go ahead.

Q. Now, again, Mr. Shaw, we talked about the well costs and the AFE that was submitted to the Board this morning.

A. Yes.

Q. And, in your opinion, does that represent a reasonable...I hate to call it an estimate, does that represent partial...actual costs and partial reasonable estimate of the well costs?

A. Yes. It's pretty close to what the final costs will be. It's still estimate.

Q. Okay. And could you state for the Board what those particular figures are for both dry hole and completed well costs?

A. The dry hole costs would have been \$317,711. It's not a dry hole. Completed well costs are estimated to be \$658,978.

Q. And do these costs include a multiple completion?

A. Yes.

Q. And a reasonable charge for supervision?

A. Yes.

Q. In your opinion, will the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: I just had a question out of curiosity. I'm not sure really how to ask it. But does this happen often that you drill a well and then decide, well, let's just go four more feet? How does that affect things if you do? I mean, obviously, in this case it increased the costs and the change in reserve figures. But, I mean, is this...I don't know how accurately when you all drill...I mean, do you drill accurate to the foot?

STAN SHAW: Not to the foot, no, but to the zone, which it's probably within twenty feet or so.

BILL HARRIS: Within twenty feet?

STAN SHAW: We are testing the deeper zone. We're hopefully that it will add reserves, but it's not proved enough to us yet. We have a few wells where we've just put that bottom zone online to try to test it, but we need more data before we can assign more reserves to that.

BILL HARRIS: Okay. But do you anticipate, just out of curiosity, other wells being drilled to a deeper depth or---?

STAN SHAW: Yes. Actually...probably most of the wells that we're drilling in Virginia we're going to that deeper depths now. We're permitting for that.

BILL HARRIS: Okay. Thank you.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, I'd ask that the application be approved as submitted with those, you know, corrections in the testimony as to the total depth of the well and the addition of the new AFE.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

JIM KAISER: Thank you.

BENNY WAMPLER: Thank you and Merry Christmas.

STAN SHAW: Thank you.

JIM KAISER: Merry Christmas to everybody. I appreciate your efforts throughout the year. I know it has not been the easiest year. I look forward to maybe an easier one next year.



(Lunch.)

BENNY WAMPLER: Okay. We'll come to order. The next item on the agenda is a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit Rogers 401. This is docket number VGOB-06-1219-1843. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TOM MULLINS: My name is Tom Mullins with the Street Law Firm. I represent GeoMet.

JEFF TAYLOR: Jeff---.

JOEY STEVENSON: Joey Stevenson, land manager with GeoMet Operating Company, Inc.

JEFF TAYLOR: Jeff Taylor with GeoMet.

GEORGE MASON: George Mason, attorney and Ertel Whitt, engineer, representing LBR Holdings, LLC. We're here in support of GeoMet's petition for pooling and that they be designated as operator.

MARK SWARTZ: Mark Swartz, Les Arrington and Rick Toothman on behalf of CNX.

BOB WILSON: Mr. Chairman---.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: ---I have objections that were filed in writing by CNX Gas Company to the pooling to the B-52 unit. I'll pass those out now. I will also tell you that

this is going to be a recurrent theme through out these next few items here.

(Bob Wilson passes out the written objections.)

BOB WILSON: Tom, do you have copies of these?

TOM MULLINS: I have a copy of one of them. I don't have a copy of the subsequent ones.

GEORGE MASON: I need one.

BOB WILSON: I'll let you borrow my copy here. Don't run off with it, please, if you guys want to share that.

TOM MULLINS: I've got a copy of the...of this one complete, I think.

JEFF TAYLOR: Mr. Chairman, Tim Blackburn is here on behalf of GeoMet as well.

BENNY WAMPLER: Okay, thank you. I'll give the Board a few minutes to read this.

(All witnesses are duly sworn.)

(Board members and parties review the objections.)

BENNY WAMPLER: Is everybody ready?

(No audible response.)

BENNY WAMPLER: Mr. Mullins, you may proceed.

TOM MULLINS: First, I'd like to make a motion to strike the objection of CNX Gas Company, LLC. It raises issues that are pertinent to a permitting process and not

the force pooling process. This Board has previously ruled on that issue as late as last month. They raised these issues last month. The Board ruled that those issues were properly brought in the pooling forum and not in the force pooling forum. So, I move to strike the objections as made by CNX Gas Company.

GEORGE MASON: Mr. Chairman, LBR Holdings would like to join in that objection and move to strike also.

BENNY WAMPLER: Well, last month, as you know, we allowed the objection to be on record and we'll continue to do that.

TOM MULLINS: All right, sir.

GEORGE MASON: Thank you.

TIM SCOTT: I'd like to call Mr. Stevenson, please.

JOSEPH L. STEVENSON

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Sir, you've been previously sworn, is that correct?

A. Yes.

Q. Would you state your full name?

A. My name is Joseph L. Stevenson.

Q. By whom are you employed?

A. GeoMet Operating Company, Inc.

Q. And could you describe to the Board what your job duties are?

A. Yes. I'm the land manager and as such, I'm responsible for all of the leasing activity, right-of-way acquisition, securing title opinions and title curative and negotiating various forms of exploration agreements and such.

Q. Are you familiar with unit B-52?

A. Yes, sir.

Q. How many acres does this unit contain?

A. This unit contains 64.59 acres.

Q. All right. And is this a Oakwood I unit?

A. Yes, it is.

Q. Does GeoMet have drilling rights in this unit?

A. Yes, we do.

Q. Are there any parties respondent listed on Exhibit B-3 who need to be dismissed here today?

A. No, sir.

Q. What is the percentage of the coal ownership that GeoMet has under lease?

A. We have 32.85% of that.

Q. What is the percentage of gas ownership that GeoMet has under lease?

A. 24.6375%.

Q. Was notice sent to the parties entitled to notice as required by Virginia Code Section 45.1-361.19?

A. Yes, sir.

Q. And that was by certified mail, return receipt requested?

A. Yes, it was.

Q. And, I believe, we have filed those green cards with Mr. Wilson.

A. Yes, sir.

Q. And notice was also provided by publication in the Bluefield Daily Telegraph and that affidavit has likewise been filed with Mr. Wilson?

A. Yes, sir.

Q. Is GeoMet authorized to do business in the Commonwealth?

A. Yes, it is.

Q. What terms does GeoMet offer to those who voluntarily enter a lease agreement with them?

A. As we've previously testified, we offer as a lease bonus consideration twenty dollars per net mineral acre for a five year paid up lease, a one-eighth royalty.

Q. All right. And in your opinion and your experience in the gas business in Southwest Virginia, is that a reasonable and fair lease term?

A. Yes, sir.

Q. What percentage of the oil and gas estate is GeoMet seeking to pool?

A. We are seeking to pool 75.3625%.

Q. And that's identified on the exhibit to the application B-3, is that correct?

A. That's correct on page two.

Q. All right. And the percentage of the coal estate that is sought to be pooled?

A. That would be 67.15%.

Q. Do you have any unknown owners in this unit?

A. No, sir.

Q. Are there any interests in dispute?

A. Yes, there are.

Q. And would that...those interest holders require the Board to establish an escrow fund?

A. Yes.

Q. Who are those parties?

A. Those parties are identified on Exhibit B-3, page one and these are parties that the Board has heard

of before. We refer to them as the Rogers' Cousins---.

Q. Not to interrupt, but it's also on Exhibit E, is that correct?

A. Yes.

Q. Okay. Go ahead.

A. And the names of those parties and we have an issue of we don't know whether LBR Holdings, LLC owns the coalbed methane gas on this particular split of ownership or whether the following people do, the names being, and I may mispronounce their last names, Jason Poulos, Gregory Poulos, Pamela Poulos, T. G. Rogers, III, Shaun Rogers, Kevin Rogers and Derek Browning Rogers.

Q. Those individuals have been referred to as the Rogers' Cousins, is that correct, as an identifying group?

A. Yes, sir.

Q. Okay. Which tract or tracts are involved?

A. That will be Tract 1.

Q. What is the percentage...the percentages for those tracts...that tract, excuse me?

A. The ownership at question is 8.2125%.

Q. Okay. Is GeoMet requesting that the Board pool the unleased interest in this unit and incorporate the terms of the statute concerning the elections to be provided

to those individuals?

A. Yes, sir.

Q. All right. To what address and to what attention should any correspondence be sent?

A. They should be sent to me, Joseph L. Stevenson, land manager, GeoMet Operating Company, Inc., the mailing address being 5336 Stadium Trace Parkway, Ste. 206, in Birmingham, Alabama with a zip code of 35244.

TOM MULLINS: All right. That's all the questions I have of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Mr. Swartz.

#### CROSS EXAMINATION

#### QUESTIONS BY MR. SWARTZ:

Q. Mr. Stevenson, directing your attention to Exhibit B, it appears to me that CNX has interests in this unit that are under lease, is that correct?

A. Yes.

Q. They have a collection of what I'm going to call the St. Clair interest totaling 40.67% of the unit?

A. Yes, sir.



Q. And then they have...CNX also has under lease from Pocahontas Mining another 26.48%, would that be correct?

A. Yes, sir.

Q. And so if we total that, would it be true that CNX has 67.05% of the...of these interests under lease?

A. Or perhaps 67.15%.

Q. .15, okay.

A. Okay.

Q. Yes, 67.15% under lease. Right?

A. Yes.

Q. I notice that paragraph two of the application, "Allegation of Facts, 2(a), Applicant has proposed a plan of develop...", if I read that correctly, just to kind of focus you here.

A. Let me get to that page.

Q. It's the first page of the application. I'm looking at 2(a).

A. Yes, sir.

Q. And what I'm interested in is there's a representation that the applicant has proposed a plan of development. Could you tell me what that plan is?

A. Yes, sir. We have developed a plan in-house at GeoMet to develop this area as a part of our long-

term development plan for this area.

Q. Okay. Specifically, with regard to this unit, is the plan to drill a well in the unit?

A. Yes.

Q. How many?

A. Pardon me?

Q. How many?

A. One well.

Q. Okay. And is the plan that that would be a frac well?

A. At the present time, yes.

Q. Okay. And just so you and I are in agreement, would you agree with me that a frac well is a well that has been stimulated?

A. Yes.

Q. Okay. And when it says here in this paragraph 2(a), "Described and depicted on Exhibit A", is that simply to indicate that one well is proposed and it's shown on Exhibit A?

A. Yes, sir.

Q. And the location of that well, is it on an LBR Holdings tract?

A. It is.

Q. And who owns the coal under that tract?

A. Of course, LBR Holdings, LLC owns the coal and it is leased to Island Creek Coal Company---.

Q. Okay.

A. ---for coal mining purposes.

Q. Okay. Have you...have you applied...well, actually, turn to the top of page 2 of your application. Do you see a little paragraph (b) there?

A. Yes.

Q. And it says that "...a well work permit for well number 401 CBM unit B-52 is currently or is anticipated to be pending." Have you filed a permit?

A. Not yet.

Q. What's the uphold, if any?

A. It's just that we've been swamped with work this fall and just have not gotten around to filing this permit application.

Q. Who's the person in charge of making sure that permit applications and packages get put together and get filed? Is that part of your job or is that somebody else's?

A. It's not my job.

Q. Whose job is it?

A. I guess, that would probably fall within the realm of someone that reports to Jeff Taylor.

Q. Okay. If there was a consent to stimulate required as part of the permit package, would it be your job as a land person to get that or would it be somebody else's job?

TOM MULLINS: Objection to anything that concerns the permit application, Mr. Chairman. That's not what's before this Board today.

BENNY WAMPLER: Sustained.

Q. Look at paragraph (d). You represent there that you propose to drill at a permitted location. Have I read that correctly?

A. Yes, sir.

Q. And then come down to paragraph 4, which is the "Relief Sought" paragraph. Do you understand that that's what you're asking the Board to do today?

A. Yes.

Q. Part 1 in paragraph 4 is you're asking the Board to authorize the drilling and operation of a well, correct?

A. Yes.

Q. 2 is to designate the applicant as the party authorized to drill and operate the well?

A. Yes, sir.

Q. And 3 is with regard to elections, correct?

A. That's correct, yes, sir.

Q. You're not suggesting that the Board can authorize you to drill a well, are you, in this application?

TOM MULLINS: Objection. That goes, again, to the permitting. The statute requires a permit. This is just an end run around to get back into the permitting issues, Mr. Chairman.

BENNY WAMPLER: I overrule that because it is in the "Relief Sought".

MARK SWARTZ: Right. Thank you.

BENNY WAMPLER: You need to answer the question.

A. Yes, sir. Then, as this is worded, that is what we would be seeking.

Q. Okay. I guess my question was, are you asking the Board to do something that you understand that they are not capable of doing?

TOM MULLINS: I object. This is what the statute sets forth. This is...again, this is just an attempt to get back into the permitting issues. That's what the statute contains. That's what the relief sought sets forth.

BENNY WAMPLER: I'm not going to let him get into permit issues, but it is in the "Relief Sought".

TOM MULLINS: All right, sir.

BENNY WAMPLER: He's entitled to ask questions

about the clarification for that.

A. Mr. Swartz, I support what is stated in this petition. I'm not familiar with what the Board can or cannot do statutorily.

Q. Okay. With regard to item 3, there is a request that the Board tell people what amount of time they have to participate or make their election choices, right?

A. Yes, sir.

Q. Okay. And would you...do you have a sense of what their options are, in general?

A. I believe, that the way I've seen these prepared before that the Board has signed off on, is that the parties affected by the petition have, I believe, thirty days after they receive a copy of the signed and recorded order.

Q. Okay. And they have thirty days to enter into a voluntary agreement like a lease, right?

A. Yes, sir.

Q. Or to pay their money and participate?

A. Yes.

Q. Or to opt to be carried?

A. That's correct.

Q. If people were to opt to participate and their interest was not required to be escrowed, where would

that money go in your company?

TOM MULLINS: I object. Again, we're going beyond both the scope of direct examination and beyond the application itself.

BENNY WAMPLER: I sustain that objection.

Q. Have you obtain a consent to frac this unit?

A. Not that I'm aware of.

Q. Do you understand that operators in Virginia have an obligation to operate with due diligence?

A. Yes, sir.

Q. What...what would your definition of due diligence be?

A. My definition of due diligence would be to act---.

TOM MULLINS: Objection. That's...it's not relevant. There's case law and statutory definitions as to what due diligence is.

BENNY WAMPLER: Sustained.

Q. Are you saying that you don't know what due diligence is?

TOM MULLINS: Objection. That question was objected to and sustained.

BENNY WAMPLER: Sustained.

Q. What's your estimate as to when the well that people are being asked to pony up money for is likely to be drilled if GeoMet is designated the operator?

TOM MULLINS: I object, Mr. Chairman. Again, this is going beyond the---.

BENNY WAMPLER: I'm going to overrule on that because he's asking his opinion. He can if he has one. If he doesn't have one, he doesn't have one. That's up to him to answer.

A. Okay. I believe that the orders are typically worded so that it would be up to two years for the well to be spud. So, I would say sometime between now and two years on down the line.

Q. Well, if the well is not drilled in two years, what happens

A. Then the pooling order would expire.

Q. Okay. And my question was, what's your opinion, as we sit here today, or your prediction as to when you think GeoMet is likely to be able to drill the well that you're proposing for this unit?

TOM MULLINS: Objection. We...I objected before on the permitting issues. That's...I renew that objection. Number two, it's speculation on his part. He has not laid a foundation that he's in charge of determining dates of



drilling.

BENNY WAMPLER: Sustained. Also, it has been asked and answered.

Q. I think I missed your answer. When did you tell me this well was likely to be drilled?

TOM MULLINS: Objection. You just sustained that...my objection---.

MARK SWARTZ: No...I mean, it was an asked and answered. I got a...the order will expire in two years and not I think we're going to drill this well in two years or some other period of time. Did you answer this question and I didn't hear you?

TOM MULLINS: I objected and---.

BENNY WAMPLER: Sustained. It will be in the record.

MARK SWARTZ: I'd like to argue that point just to make a record. If an operator has an obligation to operate a unit with due diligence and they can't come in and tell the Board that they expect to be able to drill the well, they can't come and say they expect to be able to get a permit and they can't come in and they can't give us an estimate as to when they're likely to drill the well, I think the due diligence capabilities of an operator is an issue in front of this Board when you're looking at whether

or not to appoint one company an operator or not. To have a company come in here and say, we've got two years to get our act together and if we don't the order expires and maybe we'll, you know, repool or somebody else will get an opportunity is not evidence of due diligence. The reason I'm asking these is I believe that in appointing an operator to operate a unit, it is a fair question to ask that operator, can you even operator this unit, because if they can't, the whole due diligence concept of protecting other people in the unit, getting their gas out of ground, getting it to market is just not addressed at all. So, my response, and I understand you've ruled and I'm not going to keep asking those questions, but my response is I think that it is highly relevant when somebody is asking you to appoint them as the party authorized to do develop the methane in a unit to ask them what are their plans and whether or not they can actually do it. If they can't, it's something that's pretty important that you need to consider. So, that's why I'm going into that.

BENNY WAMPLER: Well, you know, what you need to do is make sure you've got the right witness that you're asking those kinds of questions. This witness was testifying and I felt like...the reason I was sustaining the objection is that you were going beyond what this witness

said he was capable of answering.

MARK SWARTZ: Okay. I understand your ruling, but I just---.

BENNY WAMPLER: Just so you know.

MARK SWARTZ: The problem...okay. I mean, he could have said, "It's not my job."

BENNY WAMPLER: He could have.

MARK SWARTZ: Okay.

Q. With regard to the farmout agreement...is it true that GeoMet has the interest that you've testified to, the 32.85% interest in the coal and the 24.63% interest in the gas, that you've obtained those interests by reasons of a farmout agreement?

A. Yes, sir.

Q. And that farmout agreement, who's...who's the farmee?

A. GeoMet, Inc. is the farmee under that agreement.

Q. Okay. And who was the farmor?

A. That would be Equitable Production Company.

Q. And would this be the kind of an agreement that in your job as land manager that you would participate in in considering and drafting?

TOM MULLINS: Objection. The substance of a

farmout agreement is not relevant to this force pooling.

The question is, do we have interest or not, and we do. To go into the substance of a farmout agreement is beyond the jurisdiction of this body. That's something for a Circuit Court to interpret.

BENNY WAMPLER: I'm going to overrule at this point depending...assuming that he's establishing whether or not due diligence is still along that line has been followed.

Q. My question...my question really was, as land manager, would this be...a farmout be the kind of an agreement that you would have a hand in as land manager?

A. Yes, it would. I may want to point out, I was not in the employment of GeoMet when this agreement was entered into.

Q. But if there have been farmout agreements under consideration since you've been in land manager position---?

A. Yes.

Q. ---would that be something that you would look at?

A. Yes.

Q. Is the farmout here something that you've read before today?

A. Yes.

Q. If there are questions with regard to agreements and leases and farmouts that were entered into before you arrived on the scene, would you field questions in the ordinary course that people might have?

A. Yes, sir.

Q. Are you aware of the fact that the farmout agreement in this instance actually addressed consent to stimulate questions that arose?

TOM MULLINS: Objection to the consent to stimulate issue? Again, that is a permitting issue that has been ruled upon by the Board.

BENNY WAMPLER: I'm going to overrule and listen from the direction he's asking. He's asking based on his knowledge of working with that farmout agreement.

A. Yes, sir. There is a provision in the farmout that addresses that.

Q. Okay. And it's actually in Section 19 (E)?

A. Yes.

MARK SWARTZ: It's part of the exhibits to the objection.

Q. Would you agree that in reaching a farmout agreement, if the parties are exercising due diligence when they're negotiating for their own selves and with each

other, that if there are issues which might prevent development that they probably in exercising due diligence ought to talk about them?

A. Sure. Yes.

Q. Okay. And would you agree that, obviously, Equitable and GeoMet thought that development issues were important in the farmout?

A. Yes.

Q. And, in fact, the farmout required development on a certain timetable, did it not?

A. Yes, it did.

Q. And I take it...it appears from reading the agreement to me, and I'm wondering if you get the same impression, it looks like the parties to the agreement were concerned that perhaps they couldn't meet that timetable and that they needed to make an agreement if they could?

TOM MULLINS: Objection. This farmout agreement concerns both Virginia and West Virginia properties and part of the provisions in there are specific to West Virginia or were included because of West Virginia regulations. Again, I object to the relevancy. I object to as to the direction and I ask that the Board seize this line of questioning on the farmout agreement.

BENNY WAMPLER: I'll sustain that. I think---.

MARK SWARTZ: Let me respond, the sentence...the first sentence of E actually talks about the Commonwealth of Virginia. So, what you've just been told is not true. The first sentence says, "Consent to stimulate: Farmee and Farmor recognize Farmee will not be able to proceed with well permit applications to the Virginia Division of Gas and Oil until it obtains prior written consent to stimulate coal formations from the current coal owner..." skipping forward "...lands lying within the Commonwealth of Virginia." The objection, as I understood it, was that this agreement pertained to the lands in West Virginia and wasn't relevant.

TOM MULLINS: That's not the objection.

MARK SWARTZ: A provision I'm---.

TOM MULLINS: I object to him mischaracterizing what I said.

BENNY WAMPLER: No, that wasn't the objection. I agree that wasn't. What...did you mention West Virginia and Virginia.

TOM MULLINS: I did. I did. I'm not---.

BENNY WAMPLER: But primarily the objection was toward the line of continued questioning on the farmout and I sustained that based on that because the Board is not here to try to unravel the farmout agreement.

Q. Who would know when a permit...in your

company, when a permit application for this unit is scheduled or is likely to be scheduled to be presented?

A. Probably Jeff Taylor. That would fall within the operations and planning side of GeoMet.

MARK SWARTZ: That's all I have.

TOM MULLINS: I call Mr. Jeff Taylor.

JEFF TAYLOR

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Would you please state your name?

A. Jeff Taylor.

Q. By whom are you employed, sir?

A. GeoMet Operating Company, Inc.

Q. And what is your job with GeoMet Operating?

A. I'm the project manager in Virginia and West Virginia operations.

Q. Did you assist in the preparation of the estimated well costs for this application?

A. I did, under my direction.

Q. And what's the total depth of this proposed well?



A. 2,645 feet.

Q. What are the estimated reserves for this unit?

A. 886 million cubic feet.

Q. And before I go on, you've attached as an exhibit to the application those well cost estimates or had that done, is that correct?

A. Yes, sir.

Q. What are the estimated well cost... completion costs?

A. \$419,105.

Q. And what are the estimated dry hole costs?

A. \$186,455.

Q. Does the estimated costs include a reasonable charge for supervision of the drilling of the well?

A. It does.

Q. Would the granting of this application promote conservation, protect correlative rights and prevent waste?

A. It would.

TOM MULLINS: All right. I have no other questions of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the

Board?

MARY QUILLEN: Mr. Chairman.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: Could you repeat the depth of that hole?

JEFF TAYLOR: 2,645, I think it is.

MARY QUILLEN: Thank you.

TOM MULLINS: I believe that's correct.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Mr. Mason?

GEORGE MASON: I have no questions.

BENNY WAMPLER: Mr. Swartz?

#### CROSS EXAMINATION

##### QUESTIONS BY MR. SWARTZ:

Q. How is the drilling of this well and appointing GeoMet as operating going to protect correlative rights?

A. We intend to permit, drill and produce the well.

Q. Would you agree that if you don't permit and drill the well it doesn't protect correlative rights?

TOM MULLINS: Objection. Again, it goes back into

the permitting issue and it's just an end run around that, Mr. Chairman.

BENNY WAMPLER: I'm going to overrule from the standpoint of the approach that he's taking that you have to establish due diligence.

A. We're in the immediate area and I would agree that we are the best candidate to protect the correlative rights of this unit.

Q. My question was, if an operator can't permit and drill a well, would you agree that that operator cannot then protect correlative rights?

TOM MULLINS: Objection. The term correlative rights is a defined term and he's misusing that term... statutorily defined.

BENNY WAMPLER: I sustain that objection.

Q. Do you protect correlative rights if you're an operator and you leave gas in the ground during the entire period of time that you're the operator?

TOM MULLINS: Asked in a different way, but asked and objected to and sustained, Mr. Chairman.

BENNY WAMPLER: The way he asked it that time, I would overrule your objection.

A. There is several ways to look at that question. The company could be sold and there's still going

to be reserves in the ground or any combination of events that could lead to a person being an operator now and not being an operator in the future which would in turn leave reserves in the ground. We have coalbed methane...everyday is a new data point as far as the amount of reserves that's going to be produced out of those reserves. So, we have no idea when these fields become uneconomical if you're going to leave reserves in the ground or not. I would imagine that there will be in some form or fashion of reserves left in the ground at the end of the operatorship of coalbed methane wells.

Q. My question was really, and perhaps it wasn't clear, would you agree that if an operator was designated by the Board as its operator, had two years to drill and produce gas from the unit and never drilled and never produced gas from the unit, that the failure to do those two things would not serve to protect correlative rights?

TOM MULLINS: Objection again. Correlative rights is not defined in that way by the statute. The statute defines correlative rights. I object to that question on that ground.

BENNY WAMPLER: I'll sustain it.

Q. Why do you want to be designated the

operator of a unit that you can't drill a well in?

TOM MULLINS: Objection. It assumes facts not in evidence. That's a permitting issue.

BENNY WAMPLER: I'm going to overrule the objection. Here, again, we're going at due diligence. As long as he stays on that---.

TOM MULLINS: Just for the Board...well, go ahead. I'm sorry.

A. I feel confident in our ability to permit, drill, stimulate and produce these wells.

Q. Exhibit E to our objection is a consent to stimulate from Island Creek. Can you show me your consent to stimulate---?

TOM MULLINS: Objection.

Q. ---a well in this unit?

BENNY WAMPLER: Sustained.

Q. You don't have a consent to stimulate a well in this unit as we sit here, do you?

TOM MULLINS: Objection.

BENNY WAMPLER: Sustained.

Q. Are you arguing with Mr. Stevenson's testimony that you don't have a consent to stimulate?

TOM MULLINS: Objection. It's not proper to introduce other evidence from another witness and it's also

in our area that the Chairman has already ruled upon.

BENNY WAMPLER: I've already ruled on that.

Q. How many wells does your company have in Virginia?

TOM MULLINS: Objection. It's irrelevant to the pending application.

MARK SWARTZ: I think he told me he was the best...his company was the best candidate to be operator.

TOM MULLINS: That's assuming quantity is a definition of best. The number of wells is not a statutory nor regulatory requirement for a force pooling. Questioning as to how many wells an operator has no relevance.

BENNY WAMPLER: Sustained.

Q. When was the last time your company drilled a well in Virginia?

TOM MULLINS: The same question, Mr. Chairman.

BENNY WAMPLER: I'm going to overrule that.

A. Let's see, Mark. We...it would have been at the end of '05, I think.

Q. So, it has been about a year?

A. Yes, sir.

Q. When I looked at your exhibits that we've talked about in the past, it looks like the last well you drilled in Virginia came online in December of '05?

A. Actually, January of '06, I think.

Q. And that well would have been drilled sometime in '05?

A. Yeah, late of December of '05, I think. Something like that. All I know is we were producing it as of January of '06.

Q. You have no permits to drill the well in this unit, correct?

TOM MULLINS: Objection. That's a separate process. It's not required by statute. It's not part of the pooling.

BENNY WAMPLER: Sustained.

Q. Well, would you agree that the representation in your application that there is possibly currently a well permit pending that that's not true?

A. It says, "currently or as anticipated".

Q. Okay. Would say that there's not one currently?

A. Correct.

Q. Okay. Is there one anticipated with regard to this unit?

A. Most definitely.

Q. Okay. Tell me when it's likely to be filed.

TOM MULLINS: Objection as to the relevancy of that. The Board's order is a two year window.

BENNY WAMPLER: I'll sustain the objection.

Q. Do you agree that you can't drill a well...you shouldn't drill at well in the Commonwealth without a permit?

TOM MULLINS: That's asking him for an interpretation of the law. I object.

BENNY WAMPLER: I agree. Sustained.

Q. Well, does you company drill wells without permits?

TOM MULLINS: Objection as to...that's an open-ended question. They have operations in West Virginia, Utah, Alabama---.

JEFF TAYLOR: Canada.

TOM MULLINS: ---and Canada as well.

MARK SWARTZ: I'd like an answer.

BENNY WAMPLER: I'll overrule the objection.

A. Do we drill without a permit?

Q. Do you drill wells without permits?

A. No, sir. We abide by the laws of what state we're operating in.

Q. Were you involved in the negotiations of the farmout agreement?



TOM MULLINS: Objection to the negotiations of the farmout agreement, Mr. Chairman.

BENNY WAMPLER: Sustained.

Q. Who at your company would be in charge of making sure that if you're designated unit operator by the Board that you proceed with due diligence? Would that be you or would that be somebody else?

A. I would...I would probably be part of that.

Q. And what would you be doing to proceed with due diligence in your job?

A. Proceeding forward with permitting wells and buying up drilling...drilling rigs, stimulation crews, construction crews and various things of that nature.

Q. I take it you acknowledge that this is a frac well that's proposed here?

A. Yes, sir.

Q. And frac means that it would be stimulated?

A. Yes, sir.

Q. Where did the .86...I'm sorry, the .886 bcf number come from?

TOM MULLINS: Objection. It wasn't a...oh, excuse me, you said point...I misheard you. I'm sorry, Mark.

A. That comes from surrounding core holes, various gas desorption tests, various producing wells that

determines the gas content, as well as the gas thickness.

Q. I guess, what I really meant to ask was, is that a number that someone in your company provided you with or is that a number you calculated?

A. That number is provided to me.

Q. Who provided you with that number?

TOM MULLINS: Objection. Getting into the reserve information is getting into proprietary information, Mr. Chairman.

BENNY WAMPLER: Well, I'm going to overrule because it's in part of your testimony that...how much reserve...what reserve estimate you had.

A. That would be Terry Burns.

Q. I'm sorry, who?

A. Terry Burns.

Q. Where does he work physically?

A. Alabama.

Q. He's not here today?

A. No, sir.

Q. Is he a reservoir engineer?

A. I'm not for sure exactly what...what Terry's credentials is. I think he is a geologist/reservoir engineer.

Q. But he's the guy that provided you with the

.886 number?

A. That is correct.

Q. Did he provide with a number and tell when a well is done this is the percentage of the gas in place when we start producing that's still in the hole?

TOM MULLINS: Objection. The application speaks for itself. The regulation calls for an estimate of reservoirs and that's how it's stated in the application.

BENNY WAMPLER: Sustained.

Q. Well, is the .886 the production you're estimating or the amount of reserves you're starting with?

TOM MULLINS: Objection. The...number one, it speaks for itself. Number two, the regulation calls for an estimate of reserves and the reserves speaks for itself.

BENNY WAMPLER: Sustained.

Q. Well, what is your estimate with regard to the reserves...the amount of the reserves? It's not set forth in your application.

A. It's not required.

Q. Well, it says...I guess---?

A. Estimated production over the life of the unit is what it asks for, I think.

Q. The sentence says, "These figures" with an s on the end "concerning estimated production in the amount

of reserves...". My question for you is there is only one number here. Which one is it?

BENNY WAMPLER: Where are you reading from, Mark?

MARK SWARTZ: e on page two. Little e in the middle of page two.

A. It says, "The estimated production over the life proposed well is 886 million cubic feet."

Q. Okay.

A. That's what we're required to produce per regulation or per this pooling application and that's exactly what we've done.

Q. Okay. Would you agree with me that the next sentence seems to indicate that there ought to be a number in this paragraph for amount of reserves that's not reported?

A. It could be a typo.

TOM MULLINS: It's not a typo. It says what it says. It speaks for itself, Mr. Chairman.

A. I didn't put that together, Mark, so I'm not really...really qualified to answer that. That's just my observation.

Q. Okay. Well, you know, what a typo is, right?

A. As I was saying column e or paragraph e

does not come from me. That's just an unbiased observation as I read it.

Q. It appears that there's some kind of problem with the paragraph the way---.

TOM MULLINS: I object. The paragraph speaks for itself.

BENNY WAMPLER: Sustained.

Q. The...is the plat required to show the coal ownership and such matters, do you know?

A. That's---.

TOM MULLINS: What's required in the plat is defined by statute and regulation, Mr. Chairman.

A. Yeah.

MARK SWARTZ: I'm sorry, I didn't hear that.

TOM MULLINS: I objected because what his understanding is is not relevant and what the plat requires is defined by statute and regulation.

BENNY WAMPLER: I'll sustain the objection.

Q. Where can we tell who the surface owner is from the plat?

TOM MULLINS: It's not required. I object. He's asking for something that is not required to be in the plat.

BENNY WAMPLER: I'll sustain the objection.

Q. Who is the surface...if we look at your

application, how do we figure out who is the surface owner where the well is proposed to be drilled?

TOM MULLINS: Mr. Chairman, I object. There's not a requirement that that be disclosed.

MARK SWARTZ: That's all I have.

TOM MULLINS: Can I speak to him for a second?

(Tom Mullins confers with Jeff Taylor.)

TOM MULLINS: I don't have any other questions or any other witnesses.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Mr. Swartz, do you have witnesses?

MARK SWARTZ: Yes. I'd like to call Rick Toothman.

RICK TOOTHMAN: Do you want me to stay here or do you want me to---?

MARK SWARTZ: You probably need to come down.

BENNY WAMPLER: No, you need to come down.

RICK TOOTHMAN

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. State your name for us.

A. Rick Toothman.

Q. I'll remind you that you're under oath.

A. Yeah.

MARK SWARTZ: I'd like to incorporate his qualification testimony from this morning. I assume everybody was here.

BENNY WAMPLER: That will be incorporated.

Q. What I'd like to talk to you about briefly is this .886 bcf number that is in their application regarding B-52, okay?

A. Okay.

Q. How do you report estimated production in your applications?

TOM MULLINS: Objection. That's not relevant to the pending applications.

BENNY WAMPLER: You know, I probably agree with you, but I'm going to let him go ahead and put some testimony in.

A. We submit a range of possible results.

Q. Why don't you just pick a number and give one number.

A. Well, I think a deterministic value would be impossible to predict.

MARK SWARTZ: We had an exhibit this morning that

you talked some about and we probably need to mark it during this hearing. Mr. Wampler, do you have preference as to what we would call it?

BENNY WAMPLER: Exhibit A.

MARK SWARTZ: A.

Q. Is Exhibit A something that you prepared or had prepared under your supervision?

A. Yes, it is.

Q. And does it...how many CNX wells does it report data on?

A. 12---.

TOM MULLINS: If he's going to get into the substance of the exhibit, I object to it, beyond identification. It concerns wells...unidentified wells. It concerns data not relevant to this unit. It is not...it's not pertinent to the pending application. It covers areas where different field rules apply.

BENNY WAMPLER: Sustained.

MARK SWARTZ: My argument would be, as opposed to asking a question, in Board orders there are findings that are reported which presumably people who have election options look at. If a person deciding whether or not to participate or be carried or whatever is looking at one number of .886 and there is testimony offered during a



hearing that it is impossible to pick a number and credibly defend it and that it is more reasonable to project a range because that's how the wells in this part of the world fall, I think it is highly relevant to enquire into where a number came from and how reliable or unreliable it might be if it's going to be reported to people as the only number they're given to make a decision. So, that's why I think it's relevant. I understand you've ruled, but that's why I would be getting into that.

Q. As a reservoir engineer by training and experience, what would your opinion be as to whether or not you can predict in Virginia, and specifically in the Oakwood Field, to one number what the production of any given well will be?

TOM MULLINS: I object. The regulation specifically states an "estimate of production". It doesn't say an estimate of production ranges. It asks for a number. I would submit that those who report it in a range are doing it incorrectly because the regulation asks for a number. It doesn't ask for a range of numbers and that's why it's prefaced by the word estimate.

BENNY WAMPLER: I sustain the objection. More toward relevance.

Q. With reference to Exhibit A---?

TOM MULLINS: Objection to the relevance to Exhibit A. That has been excluded.

BENNY WAMPLER: I'm going to hear the question.

Q. ---what is the frequency with which wells occur less than 900...less than .9 bcf as opposed to wells that occur at that number or above?

TOM MULLINS: Objection on the grounds previously articulated. It's wells over different fields, different field rules and different coal thickness. It has got nothing to do with this unit.

BENNY WAMPLER: I'm going to overrule and let him put the testimony in the record.

TOM MULLINS: Yes, sir.

A. According to the graph, about 90% of the wells fall below that number. 90% of the wells drilled will produce less than that.

Q. Okay. Looking at the statistical probabilities or chance of wells coming in at that number or above or below, would that percentage of frequency be an indicator or would there be another indicator?

A. I'm sorry? Ask the question again.

Q. Okay. This graph, Exhibit A---.

TOM MULLINS: Just note a continuing objection so that I don't have to interrupt.

BENNY WAMPLER: I sustain further questioning along that line.

Q. What percentage of wells drilled in the Oakwood field, based on your experience, are going to produce less than .9 bcf?

TOM MULLINS: Objection as to wells. He can speak as to CNX wells. He can't speak to any other operators' wells.

BENNY WAMPLER: I'll sustain that.

MARK SWARTZ: We've got their data. It's right here. We get it from Mr. Wilson.

TOM MULLINS: He has not laid a foundation as to the source of the data or---.

MARK SWARTZ: I can fix that problem in a heartbeat.

BENNY WAMPLER: I don't think we need to hear it, Mr. Swartz, to be honest with you. I don't think it...I'll just tell you, I don't think it...I question the relevance of where we're going with this as to the pooling application.

MARK SWARTZ: That's all I have of Mr. Toothman.

BENNY WAMPLER: Do you have any cross examination?

TOM MULLINS: No, sir.

BENNY WAMPLER: Any questions from members of the

Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

MARK SWARTZ: Les Arrington.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. State your name for us.

A. Leslie K. Arrington.

MARK SWARTZ: I'd like to incorporate his testimony with regard to his employment.

BENNY WAMPLER: That will be incorporated.

Q. Are you requesting that the Board, if it approves this pooling application, designate CNX as the operator?

A. Yes, we are.

TOM MULLINS: Objection. There's no app...to my knowledge, there's no permit...excuse me, no application of record. We addressed this last month. They've not filed an application, to my knowledge, to be designated as the operator. Objections of which I never received a copy and my client never received a copy. There's no indication that any owners of anybody else was sent to anybody. I object to

going forward with them asking to be designated as the operator at this stage. That was ruled upon last month if I'm not mistaken.

GEORGE MASON: I would join in that objection on behalf of LBR Holdings. We never received the objection that was filed previously when we started and nor have we received any type of application for pooling where CNX would be designated operator.

BENNY WAMPLER: I'm going to overrule because we all know that they have competed, from last month, for the designation of operator and, you know, from that standpoint I'll let you put a reasonable amount of testimony in the record.

MARK SWARTZ: Actually, that was all I was going to ask him on that issue.

Q. Do you have the question in mind?

A. Oh, absolutely. We filed Friday a competing application for January.

Q. And are you requesting today that if the Board approves the application that CNX be the designated operator?

A. Yes, we do.

Q. Has CNX obtained a consent to stimulate frac wells in B-52?

A. Yes, we have.

TOM MULLINS: Objection.

BENNY WAMPLER: Overruled.

Q. Who did you obtain the consent from?

A. Island Creek.

Q. And did you submit that as an exhibit to the objections?

A. Yes, we did.

MARK SWARTZ: That's all I have of Mr. Arrington.

BENNY WAMPLER: Any questions...questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

MARK SWARTZ: No.

BENNY WAMPLER: Do you have anything further?

TOM MULLINS: No, sir.

BENNY WAMPLER: Other questions from members of the Board?

MARY QUILLEN: I have one---.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---clarification of, I guess, Mr. Wilson. Going back to the application sub paragraph (e) in number 2. It has been part of the testimony that only...the only thing required on this application is the estimated

production over the life of the proposed well. Is that correct?

BOB WILSON: I believe that to be correct, but I do not have with me what it would take to actually state that.

MARY QUILLEN: So then, this second sentence should have been only referring to the estimated production and not the reserves since there is no figure for reserves. Either something is missing or something has been added that's not required and that's my clarification or my question about clarification.

BOB WILSON: Okay. I think I'm looking at the wrong page 2.

MARY QUILLEN: It's on page 2 of the application.

BENNY WAMPLER: Page 2 of the application.

BOB WILSON: Right, right, right.

MARY QUILLEN: And it's sub paragraph (e) because it is misleading the way it reads and the way it's written.

BOB WILSON: I...I see where you're getting at, I think. I can see how you can read this actually either way. These figures, concerning estimated production, are estimates as are the amount of reserves. Now, whether you're saying that these are both numbers are not...I can see how the paragraph could stand some clarification.

MARY QUILLEN: I really think it does---.

BOB WILSON: The estimated---.

MARY QUILLEN: ---because that's really unclear.

BOB WILSON: The number that is important to the pooling or the Board is the amount of production---.

MARY QUILLEN: Production.

BOB WILSON: ---anticipated from---.

MARY QUILLEN: Production.

BOB WILSON: ---this unit, yes.

MARY QUILLEN: Okay, so, the other is---.

BOB WILSON: That's the number that's required.

MARY QUILLEN: The other is not relevant? The reserves isn't relevant?

BOB WILSON: It's not required.

MARY QUILLEN: Not required...it's relevant, but not required. So, it should have been included?

BOB WILSON: Well---.

MARY QUILLEN: If they were going to refer to it, it should have been included, the reserves, or are they saying, "Is the estimated production over the life of the well the same as the reserves?"

BILL HARRIS: Or does it include the reserves.

MARY QUILLEN: Or does it---?

BOB WILSON: I think you're asking me for an



interpretation here and I'm not going to give you one.

MARY QUILLEN: I mean, I'm just...if I'm reading this as University Faculty person in a paper that a student had written, that would have been a great big red circle around it to clarify. That's my...that's my point. It really does need...because we are lay people. We're not professional geologist or engineers. That it would be really...you know, important for us to know the difference in what those are. That's my questions or my concern.

TOM MULLINS: I may be able to help with that, Mr. Chairman.

BENNY WAMPLER: Go ahead, Mr. Mullins.

TOM MULLINS: The regulation states, as a requirement, "...an estimate of production over the life of the well or wells and if different, an estimate of the recoverable reserves of the unit." That's probably how that language got built in there, recoverable reserves versus production, as an explanation. It's not intended to be misleading or anything of that nature. It's just trying to incorporate the language of the regulation into the application.

MARY QUILLEN: Right. But for the lay members---.

TOM MULLINS: I understand.

MARY QUILLEN: ---of the Board it would be really

helpful to clarify it.

TOM MULLINS: We'll fix that.

MARY QUILLEN: Thank you. I won't take points off for that.

BRUCE PRATHER: Could I make a comment on that?

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Okay. Basically, if you figure reserves off of logs, you'll get the total gas in place. On that, you have to put a recovery factor. Whether this is gas in place or recovery factored gas, it doesn't say. But that's the way this works. In other words, if you run a set of logs and you calculate how much is in place and then you put a recovery factor on it because you never get the total amounts in place.

MARY QUILLEN: You're a specialist in the gas and oil industry and you would know that. I'm not.

BRUCE PRATHER: I mean, I don't know...I don't know what their information is deprived from.

MARY QUILLEN: So, you probably could interpret it where I didn't. Do you understand? Do you think?

BRUCE PRATHER: I don't know where their figures came from. But, you know, they could come from two different places. It could either be the gas in place or it could be the recoverable reserves after you put a depletion

factor on it.

BENNY WAMPLER: Okay, folks---.

MARY QUILLEN: Do you agree that it would be good to clarify it for people like me?

BENNY WAMPLER: ---we've heard the testimony. Is there a motion?

DONNIE RATLIFF: Motion to approve, Mr. Chairman.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?  
(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.  
(No audible response.)

BENNY WAMPLER: You have approval. The next item is a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit Rogers 201, which is CBM unit F-44, docket number VGOB-06-1219-1844. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TOM MULLINS: Mr. Chairman, on behalf of GeoMet, Tom Mullins with the Street Law Firm.

JOEY STEVENSON: Joey---.

JEFF TAYLOR: Jeff---.

BENNY WAMPLER: Okay, you go first every time.

(Laughs.)

JOEY STEVENSON: Joey Stevenson, land manager with GeoMet Operating Company, Inc.

JEFF TAYLOR: Jeff Taylor, GeoMet Operating Company, Inc.

GEORGE MASON: George Mason, attorney, and Ertel Whitt, engineer, on behalf of LBR Holdings, LLC. We're here in support of GeoMet's petition for force pooling and also that they be designated as operator.

MARK SWARTZ: Mark Swartz, Les Arrington and Rick Toothman.

BOB WILSON: Mr. Chairman---.

BENNY WAMPLER: Hang on just one second---.

BOB WILSON: Yes, sir.

BENNY WAMPLER: ---and get the other gentleman back here.

TIM BLACKBURN: Tim Blackburn, GeoMet.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: If the three tenors are through over here, we, again, have objections filed by CNX Gas Company to the pooling of F-44 unit. I'll pass that objection out at this time.

TOM MULLINS: Mr. Chairman, I have a witness that needs a refreshment break. Can we do that?

BENNY WAMPLER: We'll take five.

(Break.)

BENNY WAMPLER: Okay, I'd ask everybody to come to order. The next item is a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit Rogers 201, CBM unit F-44, docket number VGOB-06-129-1844. We'd ask the parties that wish to address the Board in this matter to come forward at this time. Did we make around with introductions? Did we finish it all?

MARK SWARTZ: I think we did.

TOM MULLINS: I think we did.

BENNY WAMPLER: Okay. You may proceed, Mr. Mullins.

JOSEPH L. STEVENSON

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Would you please state your full name, sir?

A. Yes. Full name is Joseph L. Stevenson.

TOM MULLINS: I'd like to incorporate his prior testimony concerning his job and his job duties and that, I call it the boiler plate type of information, Mr. Chairman.

BENNY WAMPLER: That will be fine. I would like to see everybody incorporate everything you can.

(Laughs.)

BENNY WAMPLER: At this point, I think we understand the objections. You need to get to the meat of the application.

Q. You're familiar with this unit, is that correct?

A. Yes, sir.

Q. And the application?

A. Yes, sir.

Q. How many acres are in this unit?

A. This unit has 80 acres in it.

Q. It's an Oakwood I unit?

A. Yes, sir.

Q. And it's unit F-44, is that correct?

A. Yes, sir.

Q. And does GeoMet have the drilling rights in this unit?

A. Yes, we do.

Q. Are there any respondents who are listed on Exhibit B-3 who should be dismissed?

A. No, sir.

Q. What are the percentage of coal ownership

that GeoMet has under lease?

A. We have 66.54%.

Q. What about the gas ownership?

A. We have 58.2225%.

Q. Was notice sent to the parties entitled to notice pursuant to the relevant coal section?

A. Yes, sir.

Q. Were the return receipt cards or green cards filed with Mr. Wilson?

A. Yes, sir.

Q. And was notice provided by advertisement in the Bluefield Daily Telegraph as required by statute?

A. Yes, it was.

Q. And was the affidavit of that or the evidence of that filed with Mr. Wilson as well?

A. Yes, sir.

TOM MULLINS: I'm incorporating the GeoMet general business information as well, Mr. Chairman,---.

BENNY WAMPLER: That will be incorporated.

TOM MULLINS: ---as well as the prior lease terms.

Q. What is...what is the percentage of the gas estate that GeoMet is seeking to pool?

A. We are seeking to pool 41.7775%.

Q. And the coal estate?

A. That would be 33.46%.

Q. Are there any unknown owners?

A. No, sir.

Q. Are there any parties whose interests are in dispute?

A. Yes, there are.

Q. Are those parties identified on Exhibit E?

A. Yes, they are.

Q. Who are those parties?

A. These are the parties that are referenced in my earlier testimony being the Rogers' Cousins. It listed the exact same people.

Q. All right. LBR Holdings, LLC and the Roger Cousins?

A. That's correct.

Q. Which tract?

A. That would be Tract Number 1.

Q. What are the percentages for that tract?

A. Tract Number 1, the interest that is in dispute is 8.3175%.

Q. Is GeoMet requesting the Board to pool the unleased interest in this unit?

A. Yes, we are.

Q. Where should correspondence be forwarded?



A. They would be forwarded to Joseph L. Stevenson, land manager, GeoMet Operating Company, Inc., 5336 Stadium Trace Parkway, Ste. 206, Birmingham, Alabama, zip code 35244.

TOM MULLINS: That's all I have of Mr. Stevenson, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Mr. Swartz.

CROSS EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. The percentage that CNX has leased, is it 33.1...I'm sorry, 33.46% of the unit?

A. Yes, sir.

Q. And your company does not have a consent to stimulate this unit either, does it?

TOM MULLINS: Objection on the same grounds as in the prior application.

BENNY WAMPLER: Sustained.

Q. Would you agree that my client has a consent to stimulate this unit?

TOM MULLINS: Objection. That's speculation.

BENNY WAMPLER: I'll overrule to the extent that

he may know that.

A. I've seen something that purports to be a stimulation consent, yes, sir.

MARK SWARTZ: I would incorporate my cross of Mr. Stevenson from the other hearing. I would also note that we filed objections with regard to this unit and exhibits, which are going to look pretty familiar to what the Board saw the last time.

BENNY WAMPLER: That will be noted in the record.

MARK SWARTZ: Okay. Now, with that in mind, I have no further questions of him.

TOM MULLINS: I'll incorporate my prior objections that exhibit. I know the Board's ruling.

BENNY WAMPLER: That will all be incorporated.

TOM MULLINS: Thank you.

GEORGE MASON: I'd like to incorporate the objections of LBR Holdings, LLC also.

BENNY WAMPLER: That will be incorporated. Call your next witness.

JEFF TAYLOR

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Could you please state your full name?

A. Jeff Taylor.

Q. You've been previously sworn, is that correct?

A. Yes.

Q. Again, to incorporate your prior employment information. I'll just to cut to the meat of the matter. Did you assist in the preparation of the estimated well costs for this application, under your direction?

A. Yes, sir.

Q. And what is the total proposed depth of this well?

A. 2,122 feet.

Q. What are the estimated---?

A. Recoverable reserves?

Q. Yes, sir.

A. 1.121 billion cubic feet.

Q. All right. What are the estimated well completion costs?

A. \$381,800.

Q. The dry hole costs?

A. \$158,050.

Q. Has an exhibit been attached to the application listing these estimated costs in detail?

A. It has.

Q. Does the estimated well costs include a reasonable charge for the supervision of the drilling of the well?

A. It does.

Q. In your opinion, would the granting of this application promote conservation, protect correlative rights and prevent waste?

A. It would.

TOM MULLINS: That's all I have for Mr. Taylor.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman, what was the depth of the well?

JEFF TAYLOR: 2,122.

BENNY WAMPLER: Other questions?

JEFF TAYLOR: The depth should be on the bottom of those cost estimates down there as well.

PEGGY BARBAR: Right down here at the very... outside the grid.

BILL HARRIS: Oh, outside the box. Yes, I got it. Thank you.

BENNY WAMPLER: Mr. Swartz.

#### CROSS EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Did the 1.126 bcf number come from the same place you testified to with regard to the last unit?

A. It did.

MARK SWARTZ: I'd incorporate my cross of the witness from the last hearing.

BENNY WAMPLER: Incorporated, as well as---.

TOM MULLINS: I'd incorporate my objections---.

BENNY WAMPLER: ---any objections. Sure, that will be incorporated.

SHARON PIGEON: And his.

BENNY WAMPLER: And Mr. Mason's.

GEORGE MASON: Yes, thank you.

TOM MULLINS: That's all I have.

BENNY WAMPLER: Mr. Swartz.

MARK SWARTZ: I would like to incorporate Mr. Arrington's testimony and his request that CNX be the operator and Mr. Toothman's testimony and the exhibit from the last hearing.

BENNY WAMPLER: That will be incorporated.

TOM MULLINS: I'd like to incorporate my responses during their testimony.

BENNY WAMPLER: It will be. Mr. Mason's as well.

GEORGE MASON: Thank you.

SHARON PIGEON: I have a question. Just to clarify this gentleman's testimony. As I understood him to testify to on direct is that the applicant controls 66.54% of the coal interest.

JOEY STEVENSON: 66.54, yes.

SHARON PIGEON: And 58.2225% of the gas interest?

JOEY STEVENSON: Yes.

SHARON PIGEON: And I thought that you answered, actually, 33.54 in response to cross examination questioning. That's what you're seeking to pool of the coal interest, correct?

JOEY STEVENSON: I believe that Mr. Swartz asked me what interest that CNX had and I confirmed his number of 33.46---.

SHARON PIGEON: What CNX had, that's the question that was asked?

JOEY STEVENSON: Yes.

SHARON PIGEON: All right. Thank you.

BENNY WAMPLER: Do you have anything further?

TOM MULLINS: No, sir.

BENNY WAMPLER: Mr. Swartz?

(No audible response.)

BENNY WAMPLER: Mr. Mason?

(No audible response.)

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: I move to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying  
yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a  
petition from GeoMet Operating Company, Inc. for pooling of  
coalbed methane unit Rogers 520, CBM unit E-44, docket  
number VGOB-06-1219-1845. We'd ask the parties that wish to  
address the Board in this matter to come forward at this  
time.

TOM MULLINS: Tom Mullins of the Street Law Firm  
on behalf of GeoMet.

BENNY WAMPLER: We'll say the same parties.

MARK SWARTZ: Okay.

BOB WILSON: Mr. Chairman, it would incorporate  
the objections as well.

BENNY WAMPLER: Absolutely, we'll do that. You  
may proceed.

TOM MULLINS: Thank you, sir.

JOSEPH L. STEVENSON

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. State your name.

A. My name is Joseph L. Stevenson.

TOM MULLINS: I incorporate his prior testimony as to his duties and the other boiler plate information, Mr. Chairman.

BENNY WAMPLER: It's done.

Q. How many acres are in unit E-44?

A. This is an 80 acre unit.

Q. This is an Oakwood I unit, correct?

A. Yes, sir.

Q. And GeoMet has drilling rights on this unit?

A. That is correct.

Q. Are there any respondents on Exhibit B-3 who should be dismissed today?

A. No, sir.

Q. What is the percentage of coal ownership that GeoMet has under lease?

A. We have 48.66%.



Q. What is the gas ownership under lease?

A. And we have 42.5775%.

Q. Was notice sent as required by statute?

A. Yes, sir.

Q. And that was certified mail, return receipt requested and the green cards have been filed with Mr. Wilson?

A. Yes, sir.

Q. And advertisement was provided in the Bluefield Daily Telegraph as required by statute and you have proof filed with Mr. Wilson, is that correct?

A. That is.

Q. Are the terms of your lease the same as you previously testified to for this unit?

A. Yes, they are.

Q. What is the percentage of the oil and gas estate that GeoMet is seeking to pool?

A. We are seeking to pool 57.4225%.

Q. And the coal estate?

A. The coal estate, that would be 51.34%.

Q. Are there any unknown owners?

A. No, sir.

Q. Are there any parties whose interest are in dispute that would need to be escrowed?

A. Yes, sir.

Q. Who are they?

A. Those would be parties as my previous testimony has said. It would be the LBR Holdings, LLC and then the Rogers' Cousins.

Q. Which tract?

A. That would be Tract Number 2.

Q. What are the percentages for those tracts?

A. Well, let's see, actually, I believe it would...let me look at the plat.

Q. There are two tracts.

A. It would be Tracts 1 and 2, I believe.

Q. Yes, I believe that is correct.

A. Tracts 1 and 4, pardon me.

Q. Okay.

A. It looks like Tract 1 would be...what's involved 6.0825% and then for the smaller---.

Q. Tract 4?

A. Tract...let me look at Exhibit B-3, page one. We have some interest that are in dispute with LBR Holdings, LLC and then we have some unleased entities in here.

Q. Okay. Explain that to the Board.

A. Okay, what we have is, in addition to the

dispute between LBR Holdings, LLC and the Rogers' Cousins, we also have a small Tract in here that we refer to as the Pocahontas Mining Tract where they have a certain interest in that along with the Hobart Day Heirs.

Q. And is it those Day Heirs that are...you're seeking to, with the Pocahontas Mining---

A. Yes, we're seeking to pool those parties.

Q. And what is the percentage for that tract?

A. For that tract, the tract as an entirety, is 20.26% of the unit for 16.208 acres.

Q. And is there an Exhibit E showing the conflict of ownership?

A. Yes.

Q. And are those individuals listed on Exhibit E or those whose interests are in dispute?

A. Yes. As to the disputed acre...acreage, that is correct.

Q. All right. Is GeoMet requesting that the Board pool the unleased interest in this unit?

A. Yes.

Q. And the correspondence should be sent as you indicated in your prior testimony, to your attention in Alabama?

A. That is correct.

TOM MULLINS: No more questions, Mr. Chairman.

BENNY WAMPLER: I'm going to need you to clarify, when you referred to Tract 4, what we have is Tract 2.

MARY QUILLEN: Yeah. We have it on Tract 2. The Hobart Day Heirs in Tract 2.

SHARON PIGEON: Look at your Exhibit E.

TOM MULLINS: I think that was a mis---.

SHARON PIGEON: Look at your Exhibit E.

JOEY STEVENSON: What...I'm sorry. What I am...what I may be looking at is instead of the plat tract number, I may be looking at the internal tract number as referenced in LBR Holdings' mineral ownership. Plat Tract 1 is LBR Holdings, LLC, which what they refer to as part of their Tract Number 2.

TOM MULLINS: And then Tract Number 2 on the plat is the one with the Day Heirs, is that correct?

JOEY STEVENSON: That is correct.

TOM MULLINS: And you misspoke when you said Tract 4?

JOEY STEVENSON: I did.

BENNY WAMPLER: Thank you. Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Mr. Swartz?

CROSS EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. The percentage that CNX has under lease in this unit is actually more than half of the unit, correct?

A. I'm showing that they have about 44.586667%.

Q. Okay. Well, let's look at...I'm looking at the pooling plat attachment A, okay? If you do the math for PMC, I come up with 51.16. I'm including something that I shouldn't be?

A. Mr. Swartz, I believe what's throwing you a curve there is that tract that involves the Hobart Day Heirs. So, that instead of PMC having the entirety of that percentage, they have two-thirds of it. So, at that tract instead of being...let me refer to the plat, instead of being 20.26% CNX, you back...it's really 13.506667% PMC/CNX ownership. The Hobart Day Heirs have 6.753333%.

Q. When I...you don't report a total for the Hobart Day Heirs though, do you, or if you do, where is it?

A. I don't believe that we do. I believe that we just show a total for the entire tract. If we had, the Hobart Day would have been 6.753333% with the acreage being 5.402667.

Q. Okay. Hobart Day hasn't leased to anybody?

A. That's correct. We've tried to lease them with no success.

Q. Okay. So, if we deal with the Hobart Day issue, would you agree with me or disagree that CNX actually has more under lease than your client---

A. As to---

Q. ---that you reported?

A. Yes, sir. As to that tract, yes, sir.

Q. No, no. As to the unit?

A. No, sir. I'm still saying...my ownership still shows CNX as 44.586667.

Q. Okay. And would you agree that you don't have a consent to stimulate this unit either?

A. Not that I'm aware of, no, sir.

Q. Okay. And would you agree that it looks like CNX does?

A. As my earlier testimony indicated, I have seen what is purported to be such an instrument.

Q. Okay. And did this estimate, this bcf estimate of 1.137 come from the same place, as far as you know, as it came from in the first hearing today?

TOM MULLINS: I think that's Mr. Taylor. That's Mr. Taylor.

MARK SWARTZ: I understand. But this witness might know the answer to that question and I can skip passed it.

A. Yes, Mr. Swartz. To the best of my knowledge, Mr. Terry Burns, along with others in our Birmingham office, compiled that part of this application.

MARK SWARTZ: Okay. I'd like to incorporate, obviously, the objection and my cross and comments during his testimony from the first hearing.

BENNY WAMPLER: That will be incorporated and all of the---.

GEORGE MASON: Thank you.

JEFF TAYLOR

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. State your name.

A. Jeff Taylor.

Q. And you assisted in the preparation of the estimated well costs for this application?

A. I did under my direction.

Q. And what's the total depth of the proposed well for this unit?

A. 2,480 feet.

Q. And what is the estimate of the production over the life of the well?

A. 1.137 billion cubic feet.

Q. What are the estimated well completion costs?

A. \$414,275.

Q. The dry hole costs?

A. \$177,750.

Q. And your plat...excuse me. An attachment was made to the application listing the estimated costs?

A. It was.

Q. And do the estimated well costs include a reasonable charge for supervision for the drilling of the well?

A. It does.

Q. In your opinion, would the granting of this application promote conservation, protect correlative rights and prevent waste?

A. It would.

TOM MULLINS: That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.



BILL HARRIS: I actually have a question about costs...the estimated well costs. I was not here the first day of discussions last month and this may have been addressed earlier. I'm just...I guess, I'm just sort of curious about the numbers that you all have and I don't have any...I can't pull out data that we do this with. Mentally, I guess, I've always figured about a \$100 a foot...\$120 or 30 a foot to drill and put the well. I've noticed that on the...I haven't looked at all of your alls projects, but several are over 400,000 for 2400 feet or so. What...is there a basis that you're getting your numbers? I mean, I see, you know, itemized numbers here. But is this based on estimates or experience that you've already had.

JEFF TAYLOR: Based on experience, it's...we've got six wells in Virginia, as we've stated, and 190 or so in West Virginia right across the line, which I assume we can't pull that into this. But, anyway, it's based on that historical data.

BILL HARRIS: Okay. So, it is basically---?

JEFF TAYLOR: Yes.

BILL HARRIS: Okay.

TOM MULLINS: And you complete your wells a little differently, is that correct?

JEFF TAYLOR: Yes, sir. Our stimulation costs are

typically higher than most companies.

BILL HARRIS: Is there a reason for that? I mean---.

JEFF TAYLOR: We choose to do it differently and I think we've found a successful method.

BILL HARRIS: So, you're saying it's greater productivity, is that what you're saying if you stimulate method or whatever?

JEFF TAYLOR: Uh-huh.

TOM MULLINS: You have to answer it out loud.

JEFF TAYLOR: Yes, sir.

SHARON PIGEON: Otherwise, we're going to need to swear him in.

(Laughs.)

BILL HARRIS: Okay, thank you. I was just curious.

BENNY WAMPLER: Other questions?

MARY QUILLEN: I just have one---.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---question as a follow up to that. Looking at, I guess...is Mr. Arrington...is he...you can answer this for this...the...on the objection, the estimated/actual costs that you have, is this based on...is this an estimate or is it...it couldn't be an actual cost

because you haven't...so it is an estimate?

LESLIE K. ARRINGTON: It's basically an estimate other than possibly the site construction costs.

MARY QUILLEN: Because you have other---.

LESLIE K. ARRINGTON: We've actually been on the...in the field and looked at the actual site...site location and done the survey work.

MARY QUILLEN: Okay. So, would that...because there is a considerable difference in the amounts.

LESLIE K. ARRINGTON: Yes, ma'am.

MARY QUILLEN: And is it because you have a lot of site prep area that...oh, okay, he's shaking his head no.

RICK TOOTHMAN: That's all end costs. I mean, that's everything that we say it takes to do the well. He's only saying that a portion of those costs may be actual at this point because we---.

LESLIE K. ARRINGTON: Estimated.

MARY QUILLEN: Oh.

RICK TOOTHMAN: But that includes all of the costs to do everything it takes to drill that well.

MARY QUILLEN: And what strikes me, and I've looked at everyone of these that have come through, and there is a considerable difference in the well costs. Actually, your total depth estimate is even a little deeper

by about...yeah, something...just a little...yeah, less than a 100 feet difference in that. But what...how could you account for that being so much considerably less---?

LESLIE K. ARRINGTON: Well, again---.

MARY QUILLEN: ---other than what you had referred to as the fact that you have been in that area and you have drilled wells in that area? Is there any other---?

LESLIE K. ARRINGTON: Our stimulation costs are substantially different than GeoMet's.

MARY QUILLEN: Oh, okay. So, that's where a big part of the difference is in. You had referred to that, that they were usually higher because you use a different type of stimulation. Is that correct?

JEFF TAYLOR: We just do things differently than our competition, I feel.

MARY QUILLEN: Okay. And that's basically where the difference in the costs?

JEFF TAYLOR: A big part of it, yes.

MARY QUILLEN: Oh, okay. Thank you.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

TOM MULLINS: No, sir.

BENNY WAMPLER: Mr. Swartz?

MARK SWARTZ: Yes.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Mr. Arrington, there are other differences besides just stimulation?

A. Yes, there are.

Q. Do you have their application in front of you on this---?

A. Yes.

TOM MULLINS: Could I have a copy...I don't have a copy of their actual objections. It has not been provided. So, I don't have the...I don't have the sheet from which Mr. Arrington will be speaking about.

MARK SWARTZ: I thought you just passed that out, Mr. Wilson.

TOM MULLINS: I didn't get a copy.

BOB WILSON: The objections and exhibits.

MARK SWARTZ: Yeah.

TOM MULLINS: I don't have a copy of---.

GEORGE MASON: I've got one for me.

BOB WILSON: Okay, sorry. I'm sorry. I had one

copy for that side of the table.

TOM MULLINS: That's okay.

JOEY STEVENSON: George got it.

MARK SWARTZ: George got it.

Q. Mr. Arrington, what I direct your attention to is the land, legal, surveying and location expenses. Just to compare theirs to yours, do you note a difference there?

A. Yes, I do.

Q. And, generally, what would that be?

A. I'm probably in the range of...I'm in the range of basically 54,000 and land, legal...I'm sorry...land and legal, I'm sorry, they've got 22,000 on theirs and our right-of-way costs are \$5,000. I believe, that's where you're at.

Q. Compared to 22?

A. Yes.

TOM MULLINS: I'm having trouble---.

Q. And if you compare their---?

TOM MULLINS: What line is that because I can't...  
I'm not following it.

A. My right-of-way costs are shown on line  
178.

BENNY WAMPLER: Does that include land and legal?

A. Yes, it does.

BENNY WAMPLER: So, it's \$5,000. You're comparing apples to apples, 22 versus 5?

A. Yes.

Q. And with regard to roads and such, they've got 41,000. What have you got?

A. For my roads, they've got...okay. For those roads, bridges and canals, they have 41,000 and site prep I have 40,000.

Q. Okay. And does that...does your 40,000 include the location?

A. Yes, it does.

Q. Okay. So, if you put together their roads and their location cost they're at 60, right?

A. Yes.

Q. And to compare apples to apples, you're at 40?

A. Yes, sir.

Q. What's the difference in stimulation costs between yours and theirs?

A. Our stimulation costs, the frac costs is 72,500 and I think they have 105, I believe.

Q. So, if you just focused on stimulation, to explain the difference, it only explains 32,500?

A. Yes.

MARY QUILLEN: What line is that on, Mr. Arrington?

A. On the stimulation?

MARY QUILLEN: Yes.

A. Their stimulation is show on their line 135 to 177 and my stimulation costs are shown on 132, 72,500.

MARY QUILLEN: Oh, okay. Okay, yes.

MARK SWARTZ: I'd like to incorporate Mr. Arrington's testimony and Mr. Toothman's and Exhibit A.

BENNY WAMPLER: That will be incorporated as well as the objections.

GEORGE MASON: The objections.

BENNY WAMPLER: Anything further?

TOM MULLINS: No, sir.

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: Motion to approve, Mr. Chairman.

PEGGY BARBAR: Second.

BENNY WAMPLER: And second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)



BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit Rogers 328, CBM unit SSS-36, docket number VGOB-06-1219-1846. We'd ask the parties that wish to address the Board in this matter to come forward at this time. You're all identified on the record. You may proceed, Mr. Mullins.

MARK SWARTZ: Actually, I'm not...I don't know if...they need to tell me. I don't have that application. I don't think we're in that unit, but I don't know.

TOM MULLINS: CNX is not in this one, I don't believe. I think they're in the next one.

MARK SWARTZ: I know we're in another one, but I don't think we're in this one.

TOM MULLINS: I think this is the Cousins---.

BENNY WAMPLER: Okay.

TOM MULLINS: ---if I'm not mistaken.

JOSEPH L. STEVENSON

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. You're Joseph Stevenson?

A. Yes, sir.

TOM MULLINS: I'd like to incorporate his prior testimony as we've previously done.

BENNY WAMPLER: They're incorporated.

Q. You're familiar with this application and the unit?

A. Yes, sir.

Q. And there's 79.24 acres in this unit?

A. That is correct.

Q. It's an Oakwood I unit?

A. Yes, sir.

Q. GeoMet has the drilling rights, is that correct?

A. That is correct.

Q. Are there any respondents listed in the Exhibit B-3 who should be dismissed?

A. No, sir.

Q. What is the percentage of the coal ownership that GeoMet has under lease?

A. In this unit, we have 100% of the coal.

Q. And gas?

A. We have 75%.

Q. Was notice sent by return...certified mail, return receipt requested as required by statute?

A. Yes, sir.

Q. And were the green cards filed with Mr. Wilson?

A. Yes, they were.

Q. And newspaper publication as required by statute in the Bluefield Daily Telegraph and proof thereof filed with Mr. Wilson completed, is that correct?

A. Yes, sir.

TOM MULLINS: Is the...can we incorporate the lease terms, Mr. Chairman?

BENNY WAMPLER: They will be.

Q. What is the percentage of the oil and gas estate that you're seeking to pool on behalf of GeoMet?

A. We seek to pool 25%.

Q. And you don't need to pool any of the coal estate, is that correct?

A. That is correct.

Q. There are no unknown owners, is that correct?

A. That's right.

Q. Are there...there are parties whose interest are in dispute, is that correct?

A. Yes.

Q. And are those LBR Holdings, LLC and the

Roger Cousins?

A. Yes, sir.

Q. And which tracts are involved?

A. Those would be both Tracts 1 and 2 as shown on the plat.

Q. Okay. And the percentages for those tracts? Is that 25%?

A. Yes.

Q. And has an attachment to the application and Exhibit E been filed showing the conflicting ownership?

A. Yes, it has.

Q. And correspondence should be sent to you at the previously identified address?

A. Yes, sir.

TOM MULLINS: No more questions of Mr. Stevenson

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Mr. Mason?

GEORGE MASON: No questions, sir.

BENNY WAMPLER: Call your next witness.

JEFF TAYLOR

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. You're Jeff Taylor?

A. Yes, sir.

Q. And you assisted in the preparation or it was prepared under your direction of the well costs for this application?

A. It was.

Q. And the total depth on this well is what?

A. 2,500 feet.

Q. And the estimated reserves...recoverable reserves for this unit are?

A. 968 million cubic feet.

Q. Okay. What are the estimated well completion costs?

A. \$415,275.

Q. And the dry hole costs?

A. \$178,750.

Q. And as an exhibit to the application, an estimate of well costs was attached, is that correct?

A. It was.

Q. And does the costs include a reasonable supervision for the drilling of the well?

A. It does.

Q. And would the granting of this application

promote conservation, protect correlative rights and prevent waste?

A. It would.

TOM MULLINS: That's all we have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board of this witness?

(No audible response.)

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: Motion to approve, Mr. Chairman.

BENNY WAMPLER: Motion to approve. Is there a second?

PEGGY BARBAR AND BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is---.

SHARON PIGEON: I have a question of this gentleman.

BENNY WAMPLER: I'm sorry.

SHARON PIGEON: On his estimated well costs,

what's your reasoning for having the last item, the dry hole costs, which is actually in a larger font size as opposed to the total costs of 415 were you have a larger number there of 178?

JEFF TAYLOR: It's just to make that dry hole cost stand out so you all don't think it's...there's not a...so you can see it personally. We know that everything coming down through here is the total costs, a summation of the dry hole cost comes from the drilling side of it. So, in reality, when you look at it, you know, just certain of these line items go into the dry hole cost. But it's just to make it stand out.

SHARON PIGEON: Don't you think it's important to have the total costs stand out, the 415?

JEFF TAYLOR: That one...that one jumps out at your pretty good or it does me.

SHARON PIGEON: Well, the number certainly does, but it's not set out on your form that way. I think that's a little misleading.

TOM MULLINS: Are dry hole costs are sump costs that you will never recover? Is that money down a dry hole?

JEFF TAYLOR: That's money down a dry hole, you know---.

SHARON PIGEON: That's your money the dry hole,

right?

JEFF TAYLOR: Well---.

SHARON PIGEON: I'm talking about the people with the elections?

JEFF TAYLOR: ---if we have a participating party or whatever.

TOM MULLINS: From which no recovery will ever be made or no money will ever be made from, correct?

JEFF TAYLOR: Yeah. As well as in the application itself is where you...you know, the costs show up under 2 (d). So, right above---.

SHARON PIGEON: Yes, it's in narrative, I agree with you. But I think if people are---.

JEFF TAYLOR: Well, we can change the font on it if you would like us to.

SHARON PIGEON: Well, I think the larger number is the one that should be on the bottom, the completed well costs.

JEFF TAYLOR: That's fine. And the form actually...this is our actual AFE form. We don't have a dry hole cost in our AFE form. So, we just added that on the bottom because it's a requirement of the Board as well. But we can swop that around for you. We're not trying to mislead.



BILL HARRIS: Is it inappropriate to ask a question about the dry hole costs? I mean, I know we've already---.

BENNY WAMPLER: No, go ahead.

BILL HARRIS: Since we're talking about...let me just make sure, the drill column...I guess, I'm asking about what constitutes dry hole costs? The drill column is 175,500, but there is a little...is there another number that we could get on this form that would add the 175,500 to give us a 178,750?

BENNY WAMPLER: Well, the best way to do it, in my opinion, would be to put another column out there that's dry hole so it showed exactly what went into dry hole.

JEFF TAYLOR: Okay. We'll do that.

BENNY WAMPLER: I mean, that's...that would be the clearest way to lay it out and then you'd know how... how to add it up.

BILL HARRIS: Yeah.

MARY QUILLEN: Well, actually, the total intangible costs, the 175,500 and then the tangible costs, which would be added together, would...would give you that.

BENNY WAMPLER: Uh-huh.

JEFF TAYLOR: We...no. We will not set production casting if it's a dry hole. So, you've got your conductor

pipe and so forth that adds to the 175,500 that---.

BENNY WAMPLER: I'm going to cut...I'm going to cut this off and go on to the next item, which is a petition---.

JEFF TAYLOR: Okay.

BENNY WAMPLER: ---from GeoMet...I mean, you've agreed to try to...you know, to make it not stand out different---.

JEFF TAYLOR: Oh, yeah. I don't have no problem to try to make it more---.

BENNY WAMPLER: A petition from GeoMet Operating Company, Inc. for pooling coalbed methane unit Rogers 297, CBM unit 831, docket number VGOB-06-1219-1849. The parties are all here and---.

TOM MULLINS: Did you vote on the last one?

MARY QUILLEN: Uh-huh.

BENNY WAMPLER: I'm sorry?

TOM MULLINS: Was there...I was---.

MARY QUILLEN: Yes, it was approved.

BENNY WAMPLER: We did. There was follow up questions after the vote. Yes, sir.

TOM MULLINS: Okay. Okay, thank you. I apologize.

BENNY WAMPLER: You may proceed.

BOB WILSON: Mr. Chairman, again, objections...  
with objections to this application, which I'll pass out.

(Bob Wilson passes out objections.)

BENNY WAMPLER: Sorry for cutting you off, Board  
members.

JOSEPH L. STEVENSON

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. You're Joseph Stevenson?

A. Yes.

TOM MULLINS: And incorporation of his prior  
testimony as to the repetitive matters.

Q. You're familiar with this unit?

A. Yes, I am.

Q. This is an 80 acre unit?

A. Yes, it is.

Q. Oakwood I Field?

A. Yes.

Q. Does GeoMet have drilling right in this  
unit?

A. We do.

Q. Are there any parties respondent listed on  
Exhibit B-3 who should be dismissed?

A. No, sir.

Q. What is the percentage of coal ownership that GeoMet has under lease?

A. We have 81.02%.

Q. And gas?

A. We have 60.765%.

Q. Was notice sent, as required by statute, and had green cards filed with Mr. Wilson?

A. Yes, sir.

Q. And advertisement as required by statute in the Bluefield Daily Telegraph and evidence thereof filed with Mr. Wilson?

A. Yes, it was.

Q. Is...what percentage of the oil and gas estate is GeoMet seeking to pool?

A. 39.235%.

Q. And the coal estate?

A. Is 18.98%.

TOM MULLINS: We incorporate his prior testimony as to the standard lease terms.

Q. Are there any unknown owners?

A. No.

Q. Are there any parties whose interests are in dispute?

A. Yes, there are.

Q. Are those LBR Holdings, LLC and the Roger Cousins?

A. Yes, they are.

Q. Which tract?

A. That would be Tract Number 1 on the plat and as described in the application.

Q. And what is the percentages for that tract?

A. That would be 20.255%.

Q. And an Exhibit E has been filed with the application listing those parties, is that correct?

A. That is correct.

Q. Is GeoMet requesting that the Board pool the unleased interest in this unit?

A. Yes, we are.

Q. And correspondence should be sent to you at the previously testified to address?

A. Yes, sir.

TOM MULLINS: I have no more questions for Mr. Stevenson.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Mr. Swartz.

CROSS EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Mr. Stevenson, it looks like Big Vein has leased to CNX 14.65%?

A. Yes.

Q. And the Basil Compton Estate has a total of 4.33 and I'm getting that they have leased to CNX just a hair...collectively, just a hair over 3%, is that what you've got?

A. That's correct. I'm showing 3.067083%.

Q. Okay. And then they're a couple of folks in that Estate that just haven't leased to anybody?

A. That's correct.

Q. And that accounts for the difference?

A. Yes.

Q. Okay. Again, you all don't have a permit for this well?

A. No.

Q. And you all don't have a consent to stimulate for this well?

A. Not to my knowledge, not yet.

Q. And in front of you, any objections you have of consent to stimulate were signed to Island Creek authorizing CNX to stimulate?

A. As I've testified before, I am aware of this purported instrument.

Q. And just so we can focus on you rather than the people who come after you, is the bcf estimate generally coming from the same source that we've heard about earlier?

A. Yes.

MARK SWARTZ: I'd like to incorporate my cross and comments and so forth from the first hearing.

BENNY WAMPLER: That will be incorporated, as well as the objections.

GEORGE MASON: Thank you.

JEFF TAYLOR

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. You're Jeff Taylor?

A. I am.

Q. And did you assist in the preparation or under your direction was an estimated well cost prepared for this application?

A. It was.

Q. What is the total estimated depth of this well?

A. 2,320 feet.

Q. Estimated production over the life of the well?

A. 978 million cubic feet.

Q. What are the estimated well completion costs?

A. \$406,750.

Q. And the estimated dry hole costs?

A. \$172,750.

Q. And as an exhibit to the application, there is a spreadsheet showing those estimated costs?

A. There is.

Q. And does that estimated well cost include a reasonable charge for the supervision of the drilling of the well?

A. It does.

Q. In your opinion, would the granting of this application to GeoMet promote conservation, protect correlative rights and prevent waste?

A. It would.

TOM MULLINS: That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Mr. Swartz.



MARK SWARTZ: Just incorporate my questions from the first hearing.

BENNY WAMPLER: That will be incorporated, as well as the objections.

GEORGE MASON: Thank you.

BENNY WAMPLER: Do you have anything further?

TOM MULLINS: No, sir.

BENNY WAMPLER: Do you have anything further, Mr. Swartz?

MARK SWARTZ: No...well, yes, I do. I'd like to incorporate Mr. Arrington's testimony and Mr. Toothman's testimony and Exhibit A.

BENNY WAMPLER: That will be incorporated, as well as the objections there as well. All right. Is there a motion?

BILL HARRIS: Motion for approval.

MARY QUILLEN: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit Rogers 432, CBM unit D-38, docket number VGOB-06-1219-1850. The parties have already been identified. You may proceed, Mr. Mullins.

BOB WILSON: Mr. Chairman, one more time---.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: ---I will acknowledge written objections that was received on the D-38 pooling. I'll pass those out.

(Bob Wilson passes out the objections.)

JOEY STEVENSON

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. You are Joseph Stevenson?

A. Yes, sir.

TOM MULLINS: And incorporate his prior testimony as to the lease terms and his employment and GeoMet's status.

Q. Unit D-38 is an 80 acre unit in the Oakwood I Field, is that correct?

A. Yes, sir.

Q. And does GeoMet have drilling rights in

this unit?

A. We do.

Q. Are there any parties listed in the Exhibit B-3 who are respondents that need to be dismissed here today?

A. No, sir.

Q. What is the percentage of coal ownership that GeoMet has under lease?

A. We have 78.43%.

Q. And gas?

A. 78.43%.

Q. Was notice sent by certified mail, return receipt requested as required by statute and the return cards with Mr. Wilson?

A. Yes, sir.

Q. And was advertisement had in the Bluefield Daily Telegraph as required by statute with the evidence of that filed with Mr. Wilson?

A. Yes.

Q. What is the percentage of the oil and gas estate that GeoMet is seeking to pool?

A. We seek to pool 21.57%.

Q. And the coal estate?

A. The same amount, 21.75%.

Q. Any unknown owners?

A. No, sir.

Q. Any parties whose interests are in dispute?

A. In this unit, no.

Q. So, no escrow needs to be established?

A. That's correct.

Q. Is GeoMet requesting that the Board pool  
the outstanding interests in this unit?

A. Yes, we are.

Q. And correspondence should be sent to your  
attention at the previously testified address?

A. Yes, sir.

TOM MULLINS: That's all I have of this witness,  
Mr. Chairman.

BENNY WAMPLER: Questions from members of the  
Board?

(No audible response.)

BENNY WAMPLER: Mr. Swartz.

#### CROSS EXAMINATION

#### QUESTIONS BY MR. SWARTZ:

Q. Pocahontas Mining has leased 16.67% to CNX?

A. Yes, sir.

Q. And Tazewell Coal and Iron has leased .01%

to CNX?

A. Yes.

Q. It looks like Appalachian Energy has got a small piece of the unit, 4.89%?

A. Yes.

Q. Is it your understanding that your company does not have a permit for this unit?

A. That's correct.

Q. And you do not have a consent to stimulate for this unit?

A. Correct.

Q. And it's your understanding that CNX has a consent to stimulate?

A. I've seen what is purported to be such an instrument.

Q. And the bcf number here comes, generally, from the same source that we've heard about before?

A. Yes, sir.

MARK SWARTZ: That's all I have except to incorporate my prior cross of this witness.

BENNY WAMPLER: That will be incorporated, as well as the objections. Call your next witness.

JEFF TAYLOR

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. You're Jeff Taylor?

A. Yes, sir.

Q. And did you assist or under your direction was an estimated well costs prepared for this application?

A. It was.

Q. What's the total depth of the proposed well for this unit?

A. 2,080 feet.

Q. And the estimated recoverable reserves for this unit?

A. 1.167 bcf...billion cubic feet.

Q. And the estimated well completion costs?

A. \$389,525.

Q. And the dry hole costs?

A. \$162,050.

Q. And as an exhibit to the application, a spreadsheet has been attached listing the estimated costs?

A. It has.

Q. And does the estimated well costs include a reasonable charge for supervision on the drilling of this well?

A. It does.

Q. Would...in your opinion, would the granting of this application promote conservation, protect correlative rights and prevent waste?

A. It would.

TOM MULLINS: That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman---.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: ---a quick question about money, again. And this just maybe due to my not knowing about stimulation. But I notice that the stimulation costs is the same or has been the same for the last three projects, but the depths have been...depths have been different. Again, this just maybe my ignorance of how that's done. Is that not a function of depth or is there a fixed amount or---?

JEFF TAYLOR: That's our estimated well cost...or stimulate costs or an average stimulation costs. The depths depends on whether you're on the mountaintop in the valley. So, the seams that we're actually stimulating are below that level. So, we typically, whether the well is 2500 or 2000 feet, one being on the ridge or the mountain top and the other one in the valley, we will stimulate below the---.

BILL HARRIS: Target formations---?

JEFF TAYLOR: Yeah.

BILL HARRIS: ---are still about the same?

JEFF TAYLOR: Yes.

BILL HARRIS: Thank you.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Mr. Swartz.

CROSS EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Has someone behalf of your company actually been out to this location to get a surface elevation and so forth?

A. I think they have, yes.

Q. Is the typography on this unit within the drilling window? Could you describe it for me?

A. No, I couldn't. I have not been there.

Q. I notice that your depth and the CNX depth of their estimate are a little more than 200 feet apart. Do you see that?

A. No, I don't have a copy of CNX's---.

Q. Okay. Where did your 2320 foot estimate come from? Was it a surface elevation, then measuring down to the coal seams or how did you get that number?



A. Do you mean 2,080?

Q. Well, you've got total depth 2,320 for A-31, right? Oh, I'm sorry, we're on D-38. Hold on. Let me go to D-38. It's 2080. Where did that number come from?

A. That came from the well location and the plat.

Q. So, somebody got a surface elevation and then calculated to the seams?

A. That is correct.

Q. But you weren't the person who was out there?

A. No, sir.

Q. Did someone who...was it the job of someone who works for you to go out there or do those folks work for somebody else?

A. They are sub-contract...or contractor.

Q. Is the only number that changes from one estimate to the next or the only reason the numbers change from one estimate to the next is that you plug in the well depth and it changes numbers that are sensitive to well depth?

A. That is correct.

Q. So, there are no changes from one estimate to the next based on somebody actually being out there and

observing the situation?

A. These are estimates...estimated well costs based on historical figures.

Q. Okay.

A. We know that the depth will actually change because we have a...somewhat of a hard number as far as the drilling costs per foot and a production casing cost per foot and so forth.

Q. The depth will change...oh, the depth from one to the other---?

A. Yeah.

Q. ---or from one estimate to the other?

A. Yes.

Q. Okay.

MARK SWARTZ: I'd like to incorporate my other cross of this gentleman from the first hearing.

BENNY WAMPLER: That will be incorporated, as well as the objections.

MARK SWARTZ: I'd like to incorporate Mr. Toothman's testimony. I've got a couple of questions for Mr. Arrington in addition to incorporating his testimony.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Les, on D-38, has anyone from your company been out there?

A. Yes, they have.

Q. Who goes out?

A. My field foreman, Paul Morrison.

Q. With regard to your cost estimate for D-38, you've got a depth estimate of what?

A. 23...I'll have to put my glasses on. 2364.

Q. Okay. And does that depth into account a calculation as to the elevation of the surface where you're proposing the well?

A. Yes, it does.

Q. And then presumably down to a target?

A. Yes.

Q. Is it your understanding that when your foreman goes out that that's one of his jobs is to get a surface elevation?

A. Yes, the survey party does do that.

Q. Okay. And do you know if there has been survey party out to this well?

A. There has been a surveying party out to this location twice.

Q. Okay. Is there a permit application filed

with regard to this?

A. It's either submitted or being drafted to be submitted.

Q. Are there numbers in your cost estimate for D-38 that are simply...that are not simply a function of difference in depth?

A. At this point...I was just looking at my site prep costs. That is just an actual estimated cost that we use, a general cost for this, yes.

Q. Okay. So, the only variations---?

A. Yes.

Q. ---between this and other estimates submitted would be the total depth estimate which is calculated?

A. Yes.

Q. And then to the extent any of these number are a function of or related to the depth, they have changed because of the input of the depth?

A. That's the only change that would be going on.

MARK SWARTZ: Okay. That's all I have of Mr. Arrington.

BENNY WAMPLER: Thank you. Any cross?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

TOM MULLINS: No, sir.

BENNY WAMPLER: Mr. Swartz, anything further?

MARK SWARTZ: Other than to also incorporate

Exhibit A.

BENNY WAMPLER: And you did get, Michelle, the incorporation of Mr. Toothman's testimony and any objections as well.

(Court Reporter indicates in the affirmative.)

MARK SWARTZ: Yes.

BENNY WAMPLER: Thank you. Anything further from the Board? Questions?

MARY QUILLEN: Just one comment. We've picked on Mr. Taylor. Being the good school teacher that I am, anytime we pick on someone we always like to give, you know, a positive comment. I do want to tell you that I do like to see the line item for the supervision and consulting on your printout.

JEFF TAYLOR: Thank you.

BENNY WAMPLER: Anything further?

(No audible response.)

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: I move to approve, Mr. Chairman.

PEGGY BARBAR: I second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying  
yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

JEFF TAYLOR: Thank you.

TOM MULLINS: Thank you.

BENNY WAMPLER: Merry Christmas everybody.

TOM MULLINS: Merry Christmas.

GEORGE MASON: Merry Christmas.

TOM MULLINS: Merry Christmas.

BENNY WAMPLER: We have one more item at least. I  
don't know if Mr. Wilson has anything, but we have the  
minutes from the last meeting. Any motion or what have you?

DONNIE RATLIFF: Pardon?

BENNY WAMPLER: The minutes of the last meeting.

DONNIE RATLIFF: Motion to approve.

PEGGY BARBAR: I second.

DONNIE RATLIFF: After careful review.

(Laughs.)

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying  
yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Do you have  
anything, Mr. Wilson?

BOB WILSON: No, sir. Are you asking for public  
comments?

(Board members confer.)

BENNY WAMPLER: Public comment period. Any public  
comments?

(No audible response.)

BENNY WAMPLER: All right. The hearing is closed.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

I, Sonya Michelle Brown, Court Reporter and Notary  
Public for the State of Virginia, do hereby certify that the  
foregoing hearing was recorded by me on a tape-recording  
machine and later transcribed under my supervision.

Given under my hand and seal on this the 8th day  
of January, 2007.

NOTARY PUBLIC

My commission expires: August 31, 2009.